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# ***Daily Report***

## ***Supplement***

# **East Asia**

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# East Asia SUPPLEMENT For Official Use Only

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## United States

### Japan Asks U.S. To Secure Its Citizens in Panama

OW2212154289 Tokyo Jiji in English 1337 GMT  
22 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 22 (Jiji Press)—Japan asked the United States Friday to maintain order in Panama to secure the safety of Japanese citizens in that country where U.S. forces launched armed attacks Wednesday. The request was conveyed by Jutaro Sakamoto, director-general of the Foreign Ministry's Latin American Affairs Bureau, to William Breer [word indistinct]-counselor at the U.S. Embassy here. Sakamoto told Breer Japan is concerned that a pillage has emerged in Panama City.

Although Japanese citizens there have been recommended to stay at home, they will have to go out for shopping in the future, he noted.

Breer said U.S. military police were arriving in Panama to maintain public order there.

He also sought Japan's support of new Panamanian President Guillermo Endara, who was sworn in with the U.S. help as the United States launched the military operation to seize Panamanian leader Gen. Manuel Antonio Noriega.

The government Thursday issued a statement expressing its understanding of the background against which the United States carried out the assault in Panama.

In this respect, Prime Minister Toshiki Kaifu explained Friday the statement meant that Japan understands the background, but regrets the military action itself.

### U.S. Attempt To Overthrow Noriega Criticized

OW2312112289 Tokyo MAINICHI DAILY NEWS  
in English 22 Dec 89 p 2—FOR OFFICIAL USE ONLY

[Editorial: "An Outrage Against Panama"]

[Text] Less than three weeks after he made an anti-war pledge with the Soviet Union in Malta, U.S. President George Bush resorted to military power when he ordered American forces in Panama to apprehend strongman General Manuel Noriega. This is the second U.S. military intervention in the Caribbean in six years, following the invasion in Grenada under the Reagan administration in 1983.

For Washington, is a pledge against war only applicable to Moscow?

True, Noriega has been a leader of international notoriety for his repression and reputed involvement in drug trafficking. It is also true that the Panama Canal has vital importance to Washington, not only economically but also strategically.

But Panama is an independent sovereign country, and Noriega, although problem-ridden, has been its leader. A military operation to overthrow his regime and capture him clearly flouts international law. We believe that Bush's action is liable to international criticism, and fear that it might cause a countercurrent in the worldwide tide toward detente.

Above all, the U.S. behavior in 19th century fashion could cause more difficulties in the conflicts in the region, including those in Nicaragua and El Salvador. It is also evident that the use of U.S. tanks and fighter planes against Noriega because he is under U.S. indictment is detrimental to international peace and order.

While the White House announced that the U.S. has acted to recover democracy in Panama, protect U.S. citizens in that country, and to ensure the safety of the canal, Bush's real motive was unmistakably to overthrow Noriega. This is evident in Bush's TV address when he said he recognized, as Panama's president, Guillermo Endara, the effective winner in the May 7 elections which were aborted by Noriega.

Tension had been mounting in U.S.-Panamanian relations following a coup attempt two months ago by Panamanian officers, with Noriega declaring "war" on the U.S. last Friday, and a U.S. Marine being shot by Panamanian soldiers the following day. Washington, on the other hand, had been reinforcing its 10,000-man Southern Command in Panama with a massive airlift of troops from the mainland.

The use of stark military power by the world's strongest giant against one of the world's smallest countries, however evil the latter's top leader may be, leaves a bad aftertaste. Its possible consequences can be even more serious, considering deep-rooted anti-U.S. sentiment among Latin American countries.

Since the last century, Latin American feelings toward the "Colossus of the North" have not altogether been friendly. Nations of Central America, in particular, which Washington has treated traditionally as its backyard, are extremely sensitive to its interventionist behavior.

Furthermore, perhaps out of frustration from being unable to capture Noriega as quickly as it hoped to, the White House, after the gunfire subsided, publicly offered a prize of 1 million dollars for his capture. This is an unceremonious gesture toward a head of state, however tyrannical and dangerous he may be, treating him as a common criminal and openly inviting the Panamanians to betray him for money.

Prior to the military operation, Washington instituted economic sanctions against Panama last year, including a ban on the payment of canal tolls, which have seriously affected the life of ordinary Panamanian citizens. They are not at all happy about the sanctions, even though they know too well that they have been directed against



Noriega, and because of their delicate nationalist feelings, they do not seem to be welcoming Washington's high-handed attempt to bring democracy back to them, no matter how much they may detest the dictator under whom they have suffered much.

Whatever situation Bush's questionable attempt at drastic surgery may bring about, care must be exercised, not solely because 30 percent of the cargo that crosses the canal westward is destined for Japan.

### **U.S. Action in Panama Recalls Gunboat Diplomacy**

OW2312121389 Tokyo THE JAPAN TIMES in English  
22 Dec 89 p 18—FOR OFFICIAL USE ONLY

[Editorial: "Independence must be respected"]

[Text] In a violent turn of events between the United States and Panama on Wednesday, U.S. President George Bush ordered American Troops into Panama to arrest Panamanian military dictator Gen. Manuel Antonio Noriega. Mr. Bush's use of military force to attain his purpose in an independent foreign nation inevitably invites a definite division in the assessment of his decision between Americans and foreigners.

In his televised address on the U.S. military intervention in Panama, Mr. Bush said: "The goals of the U.S. have been to safeguard the lives of Americans, to defend democracy in Panama, to combat drug trafficking and to protect the integrity of the Panama Canal treaty.... Last Friday, Gen. Noriega declared his military dictatorship to be in a state of war with the U.S., and publicly threatened the lives of Americans in Panama."

Mr. Bush pointed out that forces under Gen. Noriega's command shot and killed an unarmed American serviceman, wounded another, and arrested and brutally interrogated his wife, threatening her with sexual abuse. "Gen. Noriega's reckless threats and attacks upon Americans in Panama created an imminent danger to the 35,000 American citizens in Panama.... That was enough," he declared.

Actually, Mr. Bush has his own reasons for ordering such a violent action although whether they are justifiable or not is another question. The drug trafficking charge against Gen. Noriega was most unbecoming for a national leader and revealed to the world that he had many faces, including that of a criminal. For this, opinions both in the U.S. and elsewhere have been harsh and hostile against Gen. Noriega as a national leader. And it seemed that not only Americans but also many other peoples in that area of the world wanted to see him brought to justice. In particular, it has been said, countries like Mexico, Canada, Venezuela and Colombia would be rather happy about getting rid of this drug lord.

Even a stronger international aversion has been voiced to Gen. Noriega as a military dictator, especially in the stark violation of the democratic rights of Panamanians

last May when he annulled the presidential election which was regarded as a plebiscite on his rule. Independent election observers said the vote was overwhelmingly against him.

Three days after the polls, however, pro-Noriega militia members attacked opposition candidates during a rally at which they claimed victory. This election debacle decisively alienated even many of his supporters in Panama.

Coming as it did after all these developments, Gen. Noriega's declaration of a state of war with the U.S. citizens in Panama provided Washington with a convenient pretext for taking military action to oust the strongman, who has taken every opportunity to get on Washington's nerves.

To justify the military intervention, President Bush and his advisers apparently had in their minds Article 51 of the United Nations Charter which states: "Nothing in the present charter shall impair the inherent right of individual or collective self-defense if an armed attack occurs against a member of the U.S. until the Security Council has taken measures necessary to maintain international peace and security."

In the eyes of almost all people except those Panamanians who still consider Gen. Noriega a national hero, he was probably one of the dictators the world would not be unhappy to see leave the political center stage. It is highly questionable, however, whether the general situation in Panama has so worsened as to require the U.S. military action, in which a still undetermined number of persons were killed or wounded. Mr. Bush and his aides have yet to convince the world that Washington had exhausted all possible means to solve the problem before taking a violent step.

As U.S. officials and experts insist, the military intervention may not be unlawful under international law because there was an elected government ready to take power and also because the U.S. has the recognized security interest to protect its personnel and the Panama Canal. But the military intervention raises the suspicion that the U.S. is still ready to go back to the days of gunboat diplomacy in the region or that Washington is going to exploit the euphoria of the relaxation of superpower tension following the Malta summit. The use of force in this instance might have achieved pressing objectives, but it indeniably implanted doubts about the U.S. in the minds of many peoples, particularly those hosting U.S. bases.

### **Editorial Urges U.S. Withdrawal From Panama**

OW2212144589 Tokyo YOMIURI SHIMBUN  
in Japanese 22 Dec 89 Morning Edition p 3—FOR  
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[Editorial: "U.S. Forces Urged To Promptly Withdraw From Panama"]

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[Text] The United States has carried out armed intervention in the Central American country of Panama. We regret that the entangled U.S.-Panama relations have gone so sour as to lead to armed intervention by the U.S. Armed Forces. We cannot but hope that the confusion will not last long and that the situation will return to normal soon.

U.S.-Panama relations took a turn for the worse when Panama's supreme leader General Noriega was charged with drug smuggling. A U.S. federal grand jury in February last year indicted the general on charges of having received \$4.6 million from a Colombian drug ring for helping it with its smuggling activities. The jury also called for his extradition.

At that time, the president of Panama dismissed the general from his post as commander of the National Defense Forces, but the parliament sided with the general and in turn dismissed the president. The United States then put pressure on Panama with economic sanctions and called for the general's resignation as well as for democratization in the country. However, the general, in fact, strengthened his anti-U.S. position and cracked down on anti-Noriega prodemocracy movements and coup attempts.

When an anti-Noriega candidate won in the presidential election last May, the general had the candidate ambushed by militiamen and nullified the election. On 15 December, the parliament, led by the pro-Noriega group, declared a state of war with the United States. The following day, an unarmed U.S. officer in civilian clothes was shot to death by Panamanian soldiers; there was also an incident during which a U.S. officer and his wife were taken into custody. The officer was beaten up, and his wife was threatened with sexual abuse.

From the U.S. standpoint, a suspected narcotics smuggler, taking advantage of U.S. restraint, was doing what he pleased as dictator.

The United States, under the Panama Canal Treaty, will return the canal to Panama at the end of 1999. It is no surprise that the United States was concerned and felt a sense of crisis about turning over the canal to a dictator like Noriega; it was concerned about maintaining the canal's neutrality, particularly when the canal occupies such an important position in the nation's security. Furthermore, the safety of Americans in Panama was being threatened.

However, the question boils down to whether armed intervention to cope with the situation is justified. The United States has justified its action by citing the need to ensure the safety of Americans, protect democracy, apprehend Gen Noriega in connection with the drug charges, and observe the canal treaty.

The United Nations Charter authorizes member nations to exercise self-defense in the event of an armed attack until the Security Council takes appropriate action.

The United States claims its action was an exercise of self-defense under this provision. It appears that it considers the killing of an American officer as an armed attack against its people, and that it regards its action as self-defense to forestall imminent danger. Panama declared a state of war, and the United States had information on a plan to assault Americans. One can understand this reasoning.

On the other hand, while democratization in Panama is desirable and it is never desirable for a criminal suspect to rule a nation, to conduct armed intervention in order to impose a country's thinking on another is a violation of sovereign rights and cannot be justified.

We think it is essential that the U.S. Armed Forces withdraw from Panama as soon as the safety of Americans has been secured or as soon as the Security Council has taken appropriate measures. The more prolonged the U.S. military action, the greater the reaction will be from Central and South American nations that still remember the big stick diplomacy of the United States. These actions will only incite the national emotions of Panamanians and will aggravate the situation.

When the United States undertook armed intervention in Grenada in 1983, there was an aspect of East-West confrontation, but it can be said that there is no such thing this time. The trend toward the ending of the cold war will probably continue, but if the intervention is prolonged, it will leave an unpleasant feeling and will possibly delay a solution to the regional conflicts in Central America.

#### Editorial Expresses 'Apprehension' at U.S. Action

OW2112150989 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 21 Dec 89 Morning Edition p 2—FOR  
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[Editorial: "Apprehension Over Military Intervention"]

[Text] The United States has taken military action against Panama. As for the purpose for this action, White House spokesman Fitzwater cited the following: 1) to secure the safety of Americans in Panama, 2) to recover the democratic process in Panama, 3) to maintain the Panama Canal treaties, and 4) to capture General Noriega. Lately, relations between the United States and Panama have become very complicated. The U.S. Government announced its policy to ban port calls by Panamanian-registered ships at U.S. ports late last month. It was aimed at dealing a blow to the system of registering ships of convenience; that is, a prominent source of income for Panama. In response, Panama's National Assembly appointed Gen Noriega "head of state" and declared a "state of war with the United States." The United States took action in the midst of such tension.

Panama is a small country with a population 2.27 million, but it is an important country to the United States. Fourteen percent of U.S. marine transport passes

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through the Panama Canal, and the U.S. bases in Panama play a pivotal role in the security of Central America. According to the accord signed in 1977, the United States will hand over management rights to Panama in late 1999. However, it seems the United States seeks to maintain its influence in the canal for a long time to come.

Panama is an important country to Japan as well. Metropolitan banks are making inroads into the international financial center in the country and many enterprises have offices there to take advantage of Panama's tax regulations. Most of the soybean and wheat bound for Japan, after coming down from the Mississippi River, are shipped through the canal. The canal is also used for shipping Japanese products, such as cars, which are unloaded at east coast ports. Japan cannot help but have a great interest in the stability of Panama.

The problem is the method of gaining stability. The reasons for taking the military action include "recovery of the democratic process in Panama" and the "arrest of Gen Noriega."

However, what we would like to clarify here is the fact that Panama is an independent nation. No country, regardless of its size, has a right to send its troops to another country to arrest people of the latter. There is strong criticism in the United States of Gen Noriega's alleged drug dealings, and it seems the American public supports the U.S. military action. However, it is the Panamanian people who should correct the injustice of their leader and not the people of other nations.

The fundamentals of democracy are to respect national sovereignty. The United States resorted to undemocratic means to "restore democracy." Superpower military actions met with strong criticisms from opposing powers during the cold war period.

It is nothing but a negative by-product of the new detente if the United States thinks it can take action without worrying about the Soviet Union as a result of the new detente.

#### **JOURNAL Warns Against 'Managed Trade'**

OW1312073189 Tokyo THE JAPAN ECONOMIC JOURNAL in English 16 Dec 89 p 8—FOR OFFICIAL USE ONLY

[Editorial: "Managed Trade No Answer"]

[Text] There are clear signs that the sentiment in the U.S. is moving in the direction of "managed trade" with Japan. Mounting tensions between the two countries have given rise to widespread "Japan bashing" in the U.S. One step down this road to managed trade between the two economic superpowers, however, poses the danger of a worldwide wave of protectionism.

Japan has not been slow to respond to this U.S. drift toward managed trade. Some voices have been raised in the Liberal Democratic Party [LDP] calling for an export

tax in an effort to put a damper on exports. With a general election in the offing, the ruling LDP needs to secure the votes of farmers and small businessmen.

Manufacturers of cars, electronics and precision machinery, meanwhile, are falling over each other in their rush to put out plans boosting imports and holding down exports. This effort at the microeconomic level to restore trade equilibrium is a result of strong pressure on the industries by the Ministry of International Trade and Industry.

Managed trade is not a panacea, even for the U.S. Without the essential ingredient of enhanced competitiveness, it is meaningless. Given a breather, U.S. industry could just as well fall further behind. Nor would such a solution be of benefit to American consumers.

Should the idea of managed trade between the U.S. and Japan gain ground, the rest of the world would be the worse off for it. The European Community is poised to create an integrated market, at the same time as the movement in Eastern Europe toward democracy gains momentum. Europe could become an engine driving a global expansion of free trade, but managed trade would act as a brake on that.

In short, we think that it is time for Japan and the U.S. to take joint action to halt this drift toward managed trade.

#### **New Envoy Foresees More Trade Friction With U.S.**

OW1312134889 Tokyo JJI in English 1240 GMT  
13 Dec 89—FOR OFFICIAL USE ONLY

[Text] Washington, Dec. 12 (JJI PRESS)—The new Japanese ambassador here Tuesday forecast that Japan-U.S. trade friction will intensify next spring or summer, when calmness must return to Japan's political arena following a general election expected for February. To forestall the escalation of bilateral friction, Japan and the United States should consolidate cooperation, Ryohei Murata told Japanese reporters. He denied a drastic revision of the Japan-U.S. security treaty, the backbone of Japan's postwar policy of cooperation with Washington, despite progressing East-West detente.

There will be fine tuning but the basic security framework should remain intact, Murata said, by citing uncertainty about the course of reforms under way in the Soviet Union and East Europe. This is Murata's first meeting with Japanese reporters since he arrived here Dec. 6 to succeed Nobuo Matsunaga in the ambassadorial post.

While admitting sensitive aspects of issues pending between the two nations, mainly in economic fields, Murata expressed caution against the recent emotional exchange of criticism between them. However, he was optimistic about the increasing voice of the so-called revisionists in the United States. It is unlikely that their

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revisionist arguments will become dominant here and adversely affect the current U.S. policy toward Tokyo, the envoy said.

Murata reacted negatively toward persistent congressional calls for managed trade with Japan, saying that available policy options are limited when considering the need to ensure the prosperity of both countries.

#### Former Ambassador to U.S. Matsunaga on Ties

OW1412100289 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 10 Dec 89 Morning Edition p 2—FOR  
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[Interview with Nobuo Matsunaga, former ambassador to the United States, by Yasuhiro Tase, member of the NIHON KEIZAI SHIMBUN Editorial Board—date, place not given]

[Text] Former Ambassador to Washington Nobuo Matsunaga, who had to come to grips with Japanese-U.S. relations during his 56-month stint extending from the Reagan to the Bush administrations, was relieved recently. NIHON KEIZAI SHIMBUN interviewed him on the behind-the-scenes dealings in the course of negotiations with Washington and the future prospects of Japanese-U.S. relations.

[Tase] In your opinion when was the most critical time for Japanese-U.S. relations during your stint as ambassador to the United States?

[Matsunaga] The most critical time was during deliberations on the Omnibus Trade Bill last year. It was about that time that I frequently visited Congress. I really could not get to sleep some nights because of the Gephardt and Toshiba clauses. These clauses eventually evolved into the Super Section 301, after a long and painful process. The Gephardt clause was protectionist because it called for retaliation unless Japan reduced its trade surplus every year. I appealed to everyone, stressing that if the United States were to approve this, it would be affected adversely in the long run. I traversed the 50 U.S. states and found the atmosphere between Congress and local areas to be quite different. American sensitivities against Japan are wide-ranging and divergent indeed. It should be noted that it is now impossible to conduct diplomacy without taking domestic affairs into consideration. This is truer than ever now that Japan's role in the world economy has become greater.

[Tase] The U.S. Administration changed hands from Reagan to Bush and almost all of the officials in charge of Japanese policy have been replaced. Is this also having a great affect on Japan-U.S. relations?

[Matsunaga] It may be wrong to say that this has no influence at all. All of the departments and agencies are now being run by new secretaries and heads, and new under secretaries, new assistant under secretaries, and new lower-level officials. As a result, the possibility exists that the new team is not aware of the progress of

the negotiations held thus far. The United States, however, is a country that works from top to bottom, where instructions come from higher-ups. In this connection President Bush, Secretary of State Baker, and other high-level officials are very knowledgeable about Japan.

President Bush attended the late Emperor Showa's funeral, but it was a serious matter for him to decide to visit Japan before his presidential inauguration. I discovered that sometimes messages which I had wanted to convey to the transitional team had not been transmitted at all because both the White House and the State Department had left matters concerning the next president to the next team. Imbued with a strong inclination for ideology, the Reagan administration stressed principles and especially the adherence to the principle of free trade. It may be safe to say that the Bush administration is pragmatic and realistic. With regard to their relationships with Congress, the Reagan administration basically took the stand of going its own way, whereas the Bush administration seeks to hold as much dialogue as possible. But I cannot say which is better.

[Tase] When we tell Americans that the relationship between Japan and the United States is bad, some of them dismiss this as impossible, pointing out that the President attended the imperial funeral. However, Bush's presence at the emperor's funeral was taken for granted in Japan.

[Matsunaga] For one thing, immediately after the emperor's death the President decided to go even though he had not yet been inaugurated. In addition, I believe that tremendous leadership was called for for such a decision, which, incidentally was made quicker than any other country, while arguments about the emperor's war responsibility were simmering. He was asked at a news conference: "You were shot down by the Japanese forces; why did you make that decision?" He replied: "I made the decision because present and future relations with Japan are very important to the President of the United States." I thought that this was an impressive and splendid reply.

[Tase] At one time President Bush was associated with the image of weakness. Has his image improved now?

[Matsunaga] I think that his rating is improving little by little. Many congressmen say so. There is such a sense of security about him; that he has a firm grasp of issues. When I mentioned to him during my farewell call that our two countries are accusing each other (like arguing that Japanese are different in nature from Americans), he told me, "I am aware that some hold those views, but they never speak for a majority of the people; the Japanese Government should resolutely oppose and fight those views." This was an offhand remark and I thought he certainly lives up to his stature.

[Tase] Have the American people's sentiments against Japan grown so bad as to produce "the argument about Japanese being different in nature"?

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[Matsunaga] The Japanese-U.S. relationship has two sides—one that shows improvements and the other which shows negative things. However, the negative side draws media attention because it provides a good topic of conversation. Good news is not news, after all. I think that those, who think our relations are going well, would not say anything.

The Japanese side needs to publicize the activities on its investments in the United States—particularly real estate investments and buyouts—so that it will be easier to understand how they will contribute to the local economies concerned. When something stands out, it ends up becoming a subject of argument. The UK's British Petroleum (BP) moved into the United States after buying out a U.S. business, but I understand that it did not put its name, BP, to the fore for the initial 10 years. And, although only criticisms come forward in connection with the Rockefeller Center and Columbia Pictures affairs, there are also positive views about them. Senator Moynihan laughingly told me, "When I said on television it was wonderful that Rockefeller had found a good partner, they did not broadcast it." A lady I met in Boston said: "Had a burgeoning American group bought it, Rockefeller's name would have been erased. I am glad that Mitsubishi bought it."

[Tase] Japan's role, particularly in supporting the East, is growing more important in terms of Japan-U.S. relations, isn't it?

[Matsunaga] That is exactly right. We must look hard at the starting point of our relations with the United States. An influential American told me, "Japan should be more patient; when the United States moved into Europe, they said it was retaliation for the colonial era." He, however, advised Japan to "move more quickly in dealing with issues." The root of the friction in Japan-U.S. relations is the trade imbalance. There would be no friction at all, even in the next-generation support fighter's (FSX) issue, had it not been for that.

[Tase] The FSX problem led to a deterioration in the Japanese people's sentiments against the United States.

[Matsunaga] Eventually it was settled at 40 percent, halfway between the 35 percent agreed to at first for U.S. production, and 40 percent. But I had a hard time due to an unreasonable demand from the home government to "show the justification for 40 percent." I explained that "it was only an addition of the two divided by two, which was meant to be a congressional measure." I met Senator Bradley and other senators in a flurry when the President's veto was on the verge of being overturned by Congress. They said, "We need four more senators," so I got the names of five senators who appeared willing to side with Japan and met them in person. Three took sides with Japan and the FSX agreement was eventually approved by a one-vote margin.

[Tase] Is it true that at the time of the Kaifu cabinet's inauguration, you were asked to assume the foreign minister's post?

[Matsunaga] I got telephone calls from the vice minister and then from the prime minister. After thinking about it I declined in my own way, but I did so because I wanted to fulfill my job in Washington as a diplomat.

#### **MITI To Explain Price Gap Survey at SII Talks**

*OW2112114489 Tokyo Jiji in English 1331 GMT  
20 Dec 89—FOR OFFICIAL USE ONLY*

[Text] Tokyo, Dec. 20 (Jiji Press)—The Ministry of International Trade and Industry (MITI) said Wednesday it will put together findings of a price gap survey among six foreign cities and Tokyo by the middle of January.

It will reflect the results of the investigation in the coming third structural impediments initiative (SII) talks to be held here Jan. 16-17 together with an analysis of the results of a price gap survey between Japan and the United States which was already disclosed in November, MITI officials said.

The price gap survey was conducted in the six foreign cities of New York, Los Angeles, London, Paris, Dusseldorf and Singapore and in Tokyo this autumn by the Japan External Trade Organization (JETRO) and a private organization to investigate a price gap of imports and exports.

The survey covered about 200 brands of 40 items, including consumer electronics and film.

The separate Japan-U.S. price survey revealed large price differences for about 20 items. The ministry will complete an analysis of reasons for the price gap as early as possible, MITI officials said.

#### **\* Limits to Structural Adjustment Examined**

*902A0023 Tokyo NIHON KEIZAI SHIMBUN in  
Japanese 28 Oct 89 p 26—FOR OFFICIAL USE  
ONLY*

[Article by Takeshi Inoue, chief of the Statistics Analysis Division, Ministry of International Trade and Industry]

**[Text] There Is Also a Limit to Efforts at Structural Adjustment; Japan's Trade Surplus With America: Analysis of International Industry Correlation Tables; Imports To Increase by About \$10 Billion: America, Too, Needs a Policy to Strengthen Exports**

[Begin boxed item] (1) If we compare the structure of the input of imported goods between Japan and America based on a "Japan-U.S. International Industry Correlation Table" for 1985, in intermediate demand Japan has a higher rate of input of imported goods than America. But in final demand, Japan is lower both in expenditure for private-sector consumption and in private-sector fixed-capital formation, so it shows that there is margin for expansion of imports of manufactured goods.

(2) If we compare the distribution-margin rates for Japan and America, Japan's is lower than America's, so if we



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look at this aspect alone, we cannot say without reservation that Japan's distribution sector is inefficient.

(3) Even if Japan promotes structural adjustment, and raises the ratio of its input of imported goods from America to the same ratio as America's input of imports of Japanese goods, imports from America will not grow by more than \$10 billion, and a surplus will remain on the Japanese side because of the difference in the scale of U.S. and Japanese demand. [end boxed item]

### Japan Still Has Room To Expand Imports of Manufactured Goods

The Ministry of International Trade and Industry is pushing ahead with creation of "International Industry Correlation Tables," which cover 13 major countries and regions in Japan, America, Europe and Asia, under a 6-year plan which began in FY86. Recently it completed a rush-edition of the (1985) Japan-U.S. International Industry Correlation Table (hereinafter Japan-U.S. Table), which is the core table, and which makes clear the relationship of Japan and America.

This Japan-U.S. Table arranged and classified into 160 categories all transactions in goods and services that were conducted in and between Japan and America, and organized them into a table. Its greatest feature lies in the Japan-U.S. trade portion where it makes clear, in detail, sources of demand for import and export goods which cannot be grasped by trade statistics.

When we analyze the relationship of Japan and America in 1985 using the Japan-U.S. Table, interesting facts become clear. As one example, let us try comparing the structure of imports from the partner country.

When we look at the ratio which input of imports occupies in the the production amount for each country's intermediate demand (parts and raw materials which are

used in production activity), compared with Japan's 5.2 percent, America is 3.0 percent, so Japan is using more imports than America.

If we look at it by limiting it only to goods which Japan and America each imported from the other, Japan's ratio of input of imported goods from America is 0.7 percent, and America's ratio of imports from Japan is 0.3, so Japan is higher, as might be expected. This is considered to be because Japan, which is poor in natural resources, must depend upon imports for raw materials (primary products).

However, even in manufactured-product raw materials (secondary products), America is 0.3 percent to Japan's 0.4 percent, so Japan is higher (see Table 1). This, too, is interpreted to be a manifestation of the fact that Japan imports more of such raw materials as pulp and nonferrous metal, but even if we look only at the sum of chemical products and machinery, against Japan's 0.23 percent America is 0.17 percent, so the result emerges that Japan's rate of input of imported goods is higher.

**Table 1 Ratio of Imported-Goods Input in Production Sector (1985, percent)**

	Japan		America	
	A	B	A	B
Raw materials	0.2	2.4	0.0	0.6
Manufactured-product raw materials	0.4	1.4	0.3	1.9
Services	0.1	0.5	0.0	0.1
Total	0.7	4.3	0.3	2.6

Notes: (1)A=imports from America, B=other imports from overseas. (2) Within services, commercial and transport alone for Japan and America are included in the imports from the partner country. Because of statistical restrictions, other services, and barter trade between Japan and America, too, is included in "other imports from overseas."

Next let us look at the ratio which input of imported goods occupies in such final demand as consumption and investment (see Table 2).

**Table 2. Ratio of Imported-Goods Input in the Final Demand Sector (1985, Percent)**

	Japan				America			
	Private Sector consumption	Private-sector investment	Government purchase	Total	Private-sector consumption	Private-sector investment	Government purchase	Total
Primary products	0.2 (0)	0 (0)	0 (0)	0.1 (0)	0.1 (0)	0 (0)	0 (0)	0.1 (0)
Industrial Products	1.4(0.2)	2.0(1.0)	0.7(0.4)	1.5(0.4)	4.9(0.8)	7.5(2.6)	3.2(0.4)	5.1(1.1)
Services	0.5 (0)	0.1(0.1)	0.1 (0)	0.3 (0)	0.4(0.1)	0.2(0.2)	0.1 (0)	0.2 (0)
Total	2.1(0.2)	2.1(1.1)	0.8(0.4)	1.9(0.4)	5.4(0.9)	7.7(2.8)	3.3(0.4)	5.4(1.1)

Note: Figures in parentheses are amounts which Japan and America imported from each other. Totals include increases or decreases in inventory, but do not include exports. Services are the same as Table 1, note (2)

When we add together imports from the partner country and from the rest of the world, there is a conspicuous difference, with America having 5.4 percent to Japan's 1.9

percent. Even if we limit it to the amount imported from the partner country, America is 1.1 percent against Japan's 0.4 percent, so in relative terms Japan has fewer imports.

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When we look at it by item, in private-sector consumption expenditure America is 0.9 percent to Japan's 0.2 percent, and in private sector fixed capital formation, Japan is 1.1 percent and America is 2.8 percent.

This difference in numbers, as it stands, does not show a closed nature for the Japanese market. But it can probably be said to indicate that Japan has considerable room for expanding imports of manufactured products in capital goods and consumer goods.

U.S.-Japan structural consultations have been going on since September with the aim of settling the problem of trade imbalance between the two countries. The 5-year economic management plan which was decided on by the cabinet in May 1988 also states that resolute promotion of adjustment of economic structure is an important task in order to firmly establish an economic structure led by domestic demand.

In regard to this point, it is very significant that the possibility has expanded of Japan and America being able to have a common recognition of a relationship of economic interdependence based on the objective data of the Japan-U.S. Table. It is also conceivable that, depending on the topic, the Japan-U.S. Table's data will become a clue to solving problems, or will offer a hint.

#### **A Lower Rate of Distribution Margin Than America**

The perception that Japan's distribution system covers multiple stages in wholesale, and is, moreover, inefficient, has become fairly widespread, not only in America, but in Japan too.

According to the Japan-U.S. Table, the ratio of commercial and transport margins to producer-prices in the goods sector is lower for Japan than for America in both the intermediate-demand sector (Japan: 19.9 percent; America: 21.7 percent) and final-demand sector (Japan: 45.5 percent; America: 51.7 percent). A similar result is obtained even if we compare just the commercial rate. If we examine the final-demand sector, Japan is slightly higher in wholesale, but quite a bit lower in retail (Japan: 27.7 percent; America: 31.7 percent).

A considerable part of the difference in the Japanese and American retail margins can be explained by the difference in the rate of indirect taxes centered on the retail sales tax of each state in America (3 percent of the margin for Japan, 14 percent for America), but even if we compare the rate excluding the indirect tax, Japan is slightly lower (Japan: 26.9 percent; America: 27.3 percent). Consequently, as long as we look at it in terms of the rate of margin, one cannot say unconditionally that Japan's distribution sector is inefficient.

In connection with correcting the imbalance in the Japan-U.S. balance of trade, how far must Japan's structural adjustment advance for America to be satisfied? Actually it cannot be said that it is appropriate to establish this kind of target between Japan and America, nor would it be possible to realize, but let us try a test in

order to grasp, quantitatively, the effectiveness of Japan's structural adjustment.

To be precise, I calculated the amount of growth of Japanese imports by assuming that raising the input ratio of U.S. goods in the Japanese market to the same level as the input ratio of Japanese goods in the U.S. economy, which acknowledges itself to be an open market, would mean that the Japanese market was as open as that of America.

In industrial intermediate demand, as stated above, Japan's input ratio for U.S. goods is higher than America's for Japanese goods. Therefore, I took it that Japan's efforts to increase imports would be spent exclusively on raising the input ratio of U.S. goods in final consumption to the level of the input ratio of Japanese final-consumption goods in America.

According to the result of the trial calculation, increases of \$5.7 billion in private-sector consumption expenditure and \$4.5 billion in private-sector fixed capital formation would be necessary.

Beside this, there would also be an effect by which the decrease in Japanese domestic production activity caused by the demand to replace Japanese domestic products with U.S. products would cause imports from America to decrease, and the effect, accompanying the increase in U.S. domestic production, of imports from Japan increasing. But it appears to me that these influences will be slight, so it means that it would produce an effect of reducing Japan's trade surplus with America by approximately \$10 billion in total.

According to the Japan-U.S. Table, the 1985 imbalance in the trade between the two countries was \$42.3 billion, so the improvement in the balance by Japan's structural adjustment would equal somewhat more than 20 percent.

In congressional testimony U.S. Trade Representative Carla Hills stated that 80 percent of the U.S.-Japan trade imbalance is caused by macroeconomic operations, and about 20 percent was a structural problem and could be improved, and a similar result is obtained with the Japan-U.S. Table.

This means that the payment imbalance which derives from the difference of the scale of America's final demand being all of 3.4 times that of Japan in private-sector consumption expenditure and 2.4 times that of Japan in private-sector fixed capital formation will not shrink just by raising the structure of Japan's input of imported goods from America to be the same as America's input of imported goods from Japan.

Consequently, it appears to me that marked improvement of the trade imbalance will be difficult unless, added to Japan's efforts in structural adjustment, America enters the Japanese market in a form which surpasses its rate of input of imports from Japan by



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putting into effect both macroeconomic policies and such structural policies as strengthening the competitiveness of export industries.

#### An Optimum Policy by Using Correlation Tables

The sudden change in the exchange rate which was occasioned by the Plaza Agreement of September 1985 is causing great changes in the structure of Japan's trade and industry.

For Japan, growth in exports to America is lower than the growth of GNP during this period, so it has operated in the direction of reducing the degree of dependence on demand for exports to America. Conversely, for America, growth in exports to Japan is higher than growth in GNP, so it appears to me that it is changing in the direction of increasing the degree of U.S. dependence on demand for exports to Japan.

In regard also to the trade-balance-correcting effect of structural adjustment, on a nominal dollar base, from 1985 onward, the difference between the scale of Japanese and U.S. final demand has grown smaller. Therefore, it is expected that the trade-balance-correcting effect derived from Japan raising its rate of input of imported goods from America has expanded considerably.

Needless to say, a Japan-U.S. Table which shows the current economic structure is needed in order to grasp this kind of change accurately. It is necessary, for example, to do such things as test an estimate-table using such figures as trade statistics, with the 1985 table as the base.

It appears to me that if in the future, in the academic circles, private-sector research facilities and so on of both countries, not to mention government circles, all sorts of analysis is conducted utilizing the Japan-U.S. Table, and clarification of the relationship of interdependence between Japan and America advances, policies that are desirable for both countries will become clearer, so it will also be useful in improving Japanese-U.S. relations.

#### \* Trade Imbalance Seen as Global Economic Problem

902B0026 Tokyo CHUO KORON in Japanese  
Nov 89 pp 92-101—FOR OFFICIAL USE ONLY

[Interview with Deputy Vice Minister for Foreign Affairs Michihiko Kunihiro; interviewer not identified; date, place not given]

[Excerpt] [Passage omitted] [CHUO KORON] The point of both Wolferen's criticism of Japanese intellectuals and Fallow's paper, "Containing Japan" (August issue of this magazine), is that Japan is a very unique country. We will ultimately bump into the structural issue, I guess, when we trace the reasons for this uniqueness.

Kunihiro: "Fallows comments, to the effect, that Japanese democracy is distorted, while Wolferen contends that Japan lacks people who take responsibility in making decisions on policy matters. Limiting my comments only to the "uniqueness," a country which is devoted exclusively to consumption like America could be considered even more unique. What Fallows implies by "uniqueness" probably has somewhat deeper roots, for instance, the thinking process or mental structure of the Japanese....

[CHUO KORON] If Japan bluntly ignores these criticisms, reasoning that "what Wolferen and Fallows are saying concerns Japanese domestic problems, and we do not have to answer to that," Japan's trade surplus will never be reduced and eventually the free trade system will collapse, won't it? After all, I assume that is what the Ministry of Foreign Affairs is most worried about.

Kunihiro: There is something that I do not understand about the statements of Fallows and Wolferen. For 40 years since the end of the war, the world's greatest mission has been how to live peacefully together among ethnic groups of different traditions and cultures. From this view, it is a strange argument to "contain some groups because of their differences." Our goal should be "to have a common rule for economic activities stemming from different practices, if economics is our concern. We have established the GATT-IMF systems for that purpose.

For example, currently with respect to trade affairs, we are earnestly trying at the new Uruguay Round negotiation to make everything work including agriculture, service industries, intellectual property rights, etc. In addition, we are discussing how we can possibly reverse the condition under which developing nations have a permanent deficit in spite of all their hard work to improve it. During such talks, if someone says that "Japan is different from the rest of us. Japan, therefore, should take a different approach," it will simply upset the world's efforts to date, or it will deny a common ideal of mankind. We cannot support such an argument.

At the same time, Japan has an obligation to perform a role expected of an advanced industrial nation. Therefore, it will be strange for Japan to do something particularly different among the advanced industrial nations and beg, "Please leave us out. We are doing our own thing." Evidently, Japan must make itself useful in expanding and building on the common rule. This is what is meant when in the present negotiations it is proposed, "Let us discuss together what the world's largest surplus nation and the largest deficit nation should do to improve the situation."

[CHUO KORON] We have, after all, come back to the topic of "the largest surplus nation and the largest deficit nation." Well, how do you view this?

Kunihiro: Are you asking me to forecast the future? It's not so easy to reach a simple projection. It is a very difficult task. Therefore, I am just hoping that, next

spring, we can release something like a joint communique—a statement of mutual opinions in which Japan will straightforwardly say, "Japan has decided on these issues. Those issues have not been decided yet but they are being reviewed," and America similarly will give an account of their progress.

The more decisions we make, the more progress we will make in resolving the issues. Also, the longer the review time stretches for an identified problem, the more we feel that an interim evaluation of it should be released around the spring of next year. From now on, we must press ourselves to make it happen. However, there is no guarantee that "we can mutually agree" will come out of it when the 1-year timetable is up. All that we can do is to do our best. Then, again, we will reach conclusions and probably talk about what to do next. It could be "Let us try some more" or "It's no use to continue this work. Let's do something else." Of course, we don't know how it goes until the year is up. It may be a different story if solutions are found through other channels. However, the pressure for the world "to treat Japan with discrimination" will certainly intensify if the imbalance remains and the structural impediment initiative will not achieve a desired result.

[CHUO KORON] Can you predict that Japan's trade surplus with the United States will decrease?

Kunihiro: A little, I guess. It will not be in an absolute figure, but it will be reduced in terms of the ratio to the GNP and the total trade.

[CHUO KORON] Currently, the automobile industry which has the largest export imbalance in trading with the United States has advanced into and implemented a local production system. Evidently, it is assumed that the trade surplus with the United States will decrease from now on. In the case of Japan, the private sector is extremely conscientious, I think, in responding to the needs even without intervention from the government.

Kunihiro: If things change in terms of a plus-minus scale as you say, we have no worries. However, in the transitional period, it will hardly work in that fashion. An increase of local production may not sometimes bring about a reduction in exports. Parts will, to a certain extent, still be exported to the U.S.... Also, there is a problem related to Japan's temperament for imports.

[CHUO KORON] Imports seem to have increased, haven't they?

Kunihiro: Well, that's true. However, the growth rate this year is about half of last year's. This will never do.

[CHUO KORON] Japan finally stands above America in terms of assets, and has a higher per capita wage than America. The general feeling is that consumption should have increased more, isn't it?

Kunihiro: At any rate, the Japan-U.S. structural conference was an American idea and we must find some way to compromise with American requests. However, Japan

has already produced a fine report on its own—the "Maekawa report." The government has, itself, started to implement its own idea for restructuring Japan's economy in an Outline for Promotion of Structural Adjustment based on the "Maekawa Report." All problems which have been pointed out to us by America are described in the "Maekawa report." What this means is that Japan is not compromising at the request of America but is simply going to perform what it has decided to do on its own.

[CHUO KORON] Well, that's a better way to think about restructuring.

Kunihiro: What we have embarked on doing is for the general public and for the Japanese consumers. However, it is a slow process and has not shown as much progress as hoped for by outside countries, who consequently ask us impatiently, "What's going on?" "What's the matter?"

[CHUO KORON] I hear that there were many comments urging early implementation of the "Maekawa report."

Kunihiro: The "Maekawa report" was revised many times. Furthermore, arguments from America often make reference to the reports of Japan's Economic Planning Agency and the Fair Trade Commission. Americans say, "We are not suggesting anything new. We are merely repeating what you are saying." What Japan suggests to America is the same. What we are saying is the same as what was pointed out in the report of MITI [Ministry of International Trade and Industry], and reports that have come from America.

[CHUO KORON] Do you mean that both sides are not mutually suggesting anything unique?

Kunihiro: If we are talking about restructuring within our own country, that restructuring idea is accepted as a normal thing to do. However, if some other countries suggest the same thing across the national boundary, we take it as hard as if it were an invasion.

[CHUO KORON] Some people will be repulsed at that, won't they?

Kunihiro: On that point, if we do not handle things right, the whole idea could be too distorted. For instance, what America points out and what we also think that Japan should do may be impossible to be practiced under the current situation. When Japan says it is "not practical" to do those things, the talks may be overtaken by a tone, "yes, you should do it." Then, Japan turns emotional and cross, "Mind your own business." That is really silly.

[CHUO KORON] Indeed, it is pitiful to get emotional and harp at "interference with domestic politics," although that is a possibility if what we Japanese are internally aware of is knowingly rubbed in by America.

Kunihiro: I often say this. Nowadays, prices of leased land and agricultural products are high in Japan. They

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should come down much lower. Government naturally should work hard to reform the system for that purpose. We are not at all discussing something new with America. Furthermore, we have hardly any natural resources on this limited land of Japan. Whether or not Japan can succeed in the world economy depends on how effectively we will use what we have and how efficiently we will use the country as a whole. As soon as we cease to make these efforts, Japan will begin to decline although it may not be visible to the eye.

There is one other element to consider. Now, the world economy is good but it has reached a dead-end in many ways. Developing nations have overwhelming cumulative debts and all their energy is absorbed in repaying the loans. They cannot hope for economic growth. That means, they are not incorporated into the world trade system. How we are going to get them in is extremely important for the good stewardship of the integral world economy. Agricultural trade is also in terrible confusion due to the escalation of subsidies. Service industries are placed outside the GATT's jurisdiction as a whole. America is fuming with complaints. The world's multinational free trade system needs reform. Therefore, people have come to the Uruguay Round to find their way out of this mess. The answer will come 1 and 1/2 years from now.

At that time, if the trade imbalance between Japan and the United States still persists, America will be vexed and resort to protectionism. The EC will be enraged. ASEAN nations will be alienated, "Japan troubles everybody in the world." Perhaps "America is to be blamed" from Japan's point of view. However, global trouble will rise unless the Japanese-U.S. trade problem is resolved. Everyone is afraid of that. That's why Japan must, to begin with, adjust its domestic structure to ease the situation. Without progress in restructuring, Japan cannot make any proposals. Therefore, unless we push forward the restructuring, step by step, Japan cannot make a move. Our standstill will alienate countries around us. That's why Japan must move, America must move, and the EC must move in order to push the entire world forward. That's the direction to which we must now go.

The world expects Japan to do that. Why? Previously we had the Tokyo Round, and the one before that was the Kennedy Round. Everyone believes that Japan profited from the GATT free trade system. They conclude that Japan benefited most since it earned the greatest surplus for 5 straight years. That's why they are waiting, thinking that it is now Japan's turn to give some. Japan as a savior is slow in internal restructuring and tends to close its door saying, "We cannot do it now." The Japanese are probably asking themselves, "Why do we have to be accused by the world? We have done nothing. We only worked hard." However, the Japanese should realize that the objective condition is such that doing nothing will cause much trouble to the world.

### \* Future Steel Import Quota for U.S. Set

902A0032A Tokyo NIHON KEIZAI SHIMBUN in  
Japanese 9 Nov 89 p 11—FOR OFFICIAL USE ONLY

[Interview with Hiroshi Saito, Nippon Steel president: "Self-Regulation, Political Coloration"; interviewer not identified; date, place not given]

[Text] [NIHON KEIZAI SHIMBUN] The new voluntary restricted steel export limit to the United States has finally been set at the 5 to 5.3 percent level of the U.S. domestic consumption. Would you care to comment?

[Saito] "The U.S. steel industry had hoped for an extension of the 5.8 percent limit of the VRA [Voluntary Restriction Agreement] for the next 5 years. However, the U.S. Government had initially proposed a 3 percent level—an entirely different and unexpected tack, which differed very much from the U.S. industry's wishes; however, at this point the two governments had to begin their negotiation. The principle held by the U.S. Government at this time was very much different from that of the previous VRA negotiation. While appearing to have accepted the industry's wishes, the U.S. Government had converted the industry's view to the government's liking. A strong give-and-take is evident in this agreement, but I am happy that we were able to secure the 5 percent level in the end."

[NIHON KEIZAI SHIMBUN] Last year's actual export was 4.2 percent of the U.S. domestic consumption, well within the export limit. Don't you think this was an issue?

[Saito] "It has been said that the export ceiling basically is the maximum. Of course, the U.S. steel industry prefers a smaller import. The U.S. Government has requested the VRA as an aid to revive the U.S. steel industry; however, we do not feel that is necessary to fill the export quota to its limit. By the way, it apparently was pointed out during this negotiation that we should fulfill the quota to satisfy the U.S. consumers."

[NIHON KEIZAI SHIMBUN] Isn't this negotiation a case of a structured discussion? Relations between steel manufacturers and trading companies, the so-called sleep commission, became an issue.

[Saito] "I think this issue was brought up as a negotiating step toward an agreement. No one in Japan seems to dissent. The U.S. Government, too, responding to opposition by consumer groups, wishes to abolish the VRA. This, however, requires cooperation of the trading partners, thus the negotiations must be wide ranging."

[NIHON KEIZAI SHIMBUN] Even then, a new limit was established for electrically galvanized steel plates (EGL), consumption of which is on the rise. The steel manufacturers are increasing capital expenditure on the domestic EGL facilities. Isn't this worrisome to the United States?

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[Saito] "The U.S. Government hopes to abolish the VRA as early as possible and to liberalize trade, so from a fundamental standpoint, establishing a new quota is very strange. However, the export quota for EGL currently is 380,000 tons which is nearly twice that of actual exports. Doubling the export tonnage of EGL in the next 2 and 1/2 years is a sharp increase indeed and it would affect the U.S. supply and demand; therefore, even with increased facility expenditures, I doubt that the export tonnage will reach the quota."

[NIHON KEIZAI SHIMBUN] Japan's own steel imports are not increasing at all. Isn't this the reason why the U.S. Government entered into the negotiations with such determination? What if we abolished the current 3 percent duty on steel imported to Japan?

[Saito] "In general, duties are to be applied on a mutual basis. Japan's levy is already among the lowest. If the other countries are lowering theirs simultaneously, then I see no problem; but some countries are subsidizing their steel industry while exporting steel to Japan. Under these conditions, I am opposed to abolishing import duties."

[NIHON KEIZAI SHIMBUN] Do you think this extension of the VRA will revive the steel industry in the U.S.?

[Saito] "It cannot be so simply stated but six Japanese blast furnace companies are cooperating with the U.S. steel industry in joint ventures or shared technology. There is a possibility that the U.S. steel industry will be stronger. If that happens, the conditions will change."

#### Minister Welcomes U.S. Compromise on Fishing

OW1212191089 Tokyo JIJI in English 1257 GMT  
12 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 12 (JIJI PRESS)—Agriculture, Forestry and Fisheries Minister Michihiko Kano Tuesday welcomed a Japan-U.S. accord as endorsing Japan's request to base driftnet fishing curbs on scientific data. After five weeks of haggling since early November, Japan and the United States recently reached a compromise on restrictions on pelagic driftnet fishing by unifying their different resolutions for the U.N. General Assembly.

The unified resolution restricts driftnet fishing far more moderately than an original U.S. proposal. At a press conference, Kano said the compromise is the fruit of the two countries' efforts.

Fishery Agency officials appreciated that the Japan-U.S. accord excludes a U.S.-proposed immediate ban on driftnet fishing in the South Pacific. They also noted moratoria on such fishing in the high seas, as urged in the original U.S. proposal, will not be imposed if effective measures are taken by countries concerned to protect living marine resources based on statistical analysis.

#### Hashimoto Counters Criticism of Bush Adviser

OW1612035489 Tokyo JIJI in English 1253 GMT  
15 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 15 (JIJI PRESS)—Finance Minister Ryutaro Hashimoto said Friday he thinks Michael J. Boskin, chairman of the Council of Economic Advisers in U.S. President George Bush's administration, has done nothing against the interests of the United States.

Rep. Richard A. Gephardt (D-Missouri) and other U.S. lawmakers have criticized Boskin for having advised Japan's Finance Ministry while he was a guest member at the ministry's Institute of Fiscal and Monetary Policy before entering the White House. They said there is a conflict of interest.

Showing his discontent with the criticisms toward Boskin, Hashimoto told a press conference that advising Japan does not run counter to the U.S. interests. Hashimoto said he does not understand why the congressmen feel that contributing to Japanese "brain power imports" is wrong.

#### \* Sony's Morita: Coauthoring Book Was 'Mistake'

WA0812012689 Tokyo ASAHI SHIMBUN in Japanese  
23 Nov 89 p 8—FOR OFFICIAL USE ONLY

[Unattributed article: "Sony Chairman Morita Admits His Mistake in Coauthoring Book With Ishihara; Asserts Purchase of Film Company Was Justified"]

[Text] Sony Corp. Chairman Akio Morita, at a 22 November lecture in Tokyo, reiterated that Sony's takeover of Columbia Pictures was justified. Morita said: "The United States has become overly nervous and emotional. The Japanese Government needs the courage to say 'no' to improper matters."

In response to a NEWSWEEK report in the United States that Sony "bought a piece of America's soul," Morita countered with a light jab and questioned NEWSWEEK's integrity: "NEWSWEEK was not as aggressive in its Japanese edition, calling the purchase an 'advance' rather than an 'invasion.' This obviously shows that the magazine is downplaying its position so as to flatter Japanese readers and possibly increase sales." Concerning the book "The Japan That Can Say 'No,'" which he coauthored with Shintaro Ishihara, Morita said: "Mr Ishihara is known as a nationalist. I have my own opinions, and it was a mistake for me to coauthor the book with him. I have no intention of having the book translated in the United States at this time, when Japanese-U.S. relations have become so emotional."

Morita is confident of his buyout strategy. He said at the conclusion of his lecture: "When President Oga visited CBS Records, he was welcomed enthusiastically by the studio staff, and no one complained about our purchase of CBS Records."

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### More Constructive Dialogue With U.S. Urged

OW1312041889 Tokyo THE JAPAN TIMES  
in English 11 Dec 89 p 20—FOR OFFICIAL USE ONLY

[Editorial: "For a More Constructive Dialogue"]

[Text] Until recently, Japan's "America bashers" could write whatever they might please without any fear that their words would ever be read by Americans. After all, most Americans do not read Japanese. The "America bashers" seemingly had the best of all worlds. They sold well in Japan, and they were not accountable to those whom they criticized.

All of this has changed with "The Japan That Can Say 'No,'" the controversial volume co-authored by Sony Chairman Akio Morita and Liberal-Democratic Party Diet member Shintaro Ishihara.

They never authorized an English translation, but someone at the U.S. Department of Defense translated the book anyway. The unauthorized translation has subsequently been reproduced and passed along throughout the United States, and has been featured in commentaries in almost all major American newspapers.

The U.S. media's overreaction to this book follows the pattern of the Japanese media's overreaction to recent contributions to the Japan bashing literature such as Mr James Fallows' "Containing Japan" and Mr Karl von Wolferen's "The Enigma of Japanese Power." The media on both sides of the Pacific should be responsible enough to remind their readers and viewers that the so-called "bashers" speak first and foremost for themselves, and the bashers do not necessarily represent the dominant thinking in their respective countries.

At the same time, however, Japanese leaders in any field of activity have to realize that Japan's increasing economic and technological strength gives them a greater "voice" in global affairs. We can no longer expect foreigners to ignore careless comments and heavy accusations.

In particular, someone in Mr Ishihara's position should have enough discretion to refrain from accusing a foreign people of racism. In the book, he suggests that American racial prejudice is at the root of U.S. criticism of Japan. This position is so offensive that many Americans are likely to remember it long after the book disappears from bookstores' shelves.

Mr Ishihara also plays with fire when he recommends that Japan consider using its "Soviet card" by threatening to sell sensitive technology to the Soviet Union. Americans are generally inclined to view Japan more as a partner than as an enemy, but Mr Ishihara's confrontational approach might persuade some Americans to revise their relatively benign view of Japanese power.

Leaders here should be more tactful and thoughtful. But this does not mean that they must refrain from criticizing the U.S. altogether. On the contrary, as Mr Morita suggests in the book, Japanese leaders should learn to express themselves more clearly when they disagree with their American counterparts.

Despite the inflammatory rhetoric, the book doubtlessly offers foreign readers some new insights. For example, it points out that military power now depends more than ever on a commercial technology base, and this makes Japan a more important actor in international security affairs. The book also recognizes that this nation's greater power dictates a realignment in U.S.-Japan relations. It argues that Japan must act more like an equal partner, and the U.S. must accept Japan's new status.

The problem with the controversial book seems to be not that the authors are too tough with the Americans but that they presented their arguments in an often derisive manner. Japanese and American leaders must learn to express their respective positions frankly, but sensibly. It is not always easy to strike such a balance. Both sides also need to learn how to accept constructive criticism with dignity.

The Japanese and U.S. economies are now linked so tightly that "domestic" policies directly affect the other country. Japan has an interest in responsible management of the U.S. federal budget deficit, so Japanese leaders certainly have a right to offer their advice. Likewise, the U.S. has a direct interest in reform of Japan's distribution system, so American leaders are justified in pushing for change.

In this sense, the recent bilateral talks on structural impediments represent an important step forward. Progress is not likely to come quickly, but the two sides need such a forum in order to move beyond "finger pointing" toward more constructive dialogue.

### U.S.-Japan Political, Economic Worlds Contrasted

OW1712114289 Tokyo THE DAILY YOMIURI  
in English 16 Dec 89 p 9—FOR OFFICIAL USE ONLY

["Currently Speaking" column article by Yasuhiko Shibata, YOMIURI SHIMBUN staff writer: "U.S. Political Stability Belies Economic Crisis"]

[Text] Popular support for U.S. President George Bush has climbed continuously since his inauguration in January.

The latest poll by the Gallup Organization shows his support rate up from January's 50 percent to 70 percent. Some estimates put his support rate at 75 percent following the U.S.-Soviet summit off Malta earlier this month.



Meanwhile, despite the relative success of Kaifu's government, Japan's political situation is suffering from the havoc caused by the failure of two previous administrations.

While the U.S. political scene under Bush is extremely stable, Japanese conservatives faces a crisis resulting from the loss of the Liberal Democratic Party's [LDP] majority in the House of Councillors.

There is a striking contrast between the U.S. and Japanese political worlds. But how do the two nations compare economically?

Here the situation is completely reversed. The U.S. economy, suffering from the twin budget and trade deficits, is in critical condition, while Japanese business is enjoying the longest economic boom since World War II.

Since the end of the war, Japan has put its highest priority on economic development and prosperity. Both companies and individuals have devoted themselves to achieving the prosperity we enjoy today.

Politics, whether domestic or international, have come to be employed in Japan as a means of achieving economic targets. One prime example is the political stability called for in Japan in the past whenever it faced such economic crises as depression and oil shocks. This led to increased support for the LDP during elections.

Depression tends to make people pay more attention to politics. And so, some LDP members still believe that a slump would lead the party to victory.

Elated by the favorable economic performance brought on by brisk business trends, price stability and low unemployment rates, Japanese tend not to think about politics seriously, despite the LDP's loss in the Upper House.

The deliberations in the Diet over the 3 percent consumption tax are regarded as a mere TV show, and few Japanese are concerned over the fate of the Kaifu Cabinet.

On the other hand, President Bush's high popularity is a strong indication of the expectations his country has for him.

The Bush administration, though helped by a lucky disintegration of the Communist Economic Conference (Comecon) member nations, has displayed its diplomatic policy capabilities through the East-West detente, aid for East Europe and its recent step toward restoring U.S.-China relations.

There are two reasons for Bush's increased popularity ratings and the country's stable political atmosphere. The first is people's support for Bush's diplomatic initiatives.

The other is increased concern over the lingering economic stagnation, and the sense of crisis about how to protect people's livelihoods.

Although the U.S. unemployment rate and inflation have dropped since the early 1980s, no optimism is warranted as regards its economic future. With the shutdown of large factories and increased layoffs, people's expectations for more powerful economic policies may be playing a role in the growing support rate the Bush administration enjoys.

#### Daily Notes ASAHI 'Report' on Troop Reductions

OW1712115589 Naha OKINAWA TIMES in Japanese  
17 Dec 89 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] It was made clear on 16 December that the U.S. military forces are examining plans to reorganize their fighting power, concentrating their efforts on sweeping reductions of U.S. forces in South Korea and Japan, including the total withdrawal of U.S. Marines from Okinawa by 1995 and their redeployment to Hawaii. This was reported by an ASAHI SHIMBUN Washington correspondent, citing a U.S. military official as the source of information. The plan is said to be part of a review of U.S. strategies for the Asia and Pacific region, which is already underway in the United States.

Okinawa is the only location other than the U.S. mainland where the United States stations division-level Marines. Such a total withdrawal will have a far-reaching impact. The U.S. "pressure" on Japan for strengthening its defense of the sea lanes is expected to grow stronger in the days ahead.

According to the ASAHI SHIMBUN report, the concept of a review of the fighting power in the Asian and Pacific region, disclosed by a U.S. military source, calls for the removal of some 30,000 troops and approximately 60 operational aircraft of the 3d Marine Division and the 1st Marine Aircraft Wing stationed in Okinawa to Hawaii by around 1995. It also calls for the withdrawal of approximately 35,000 U.S. Army troops stationed in Japan and South Korea to Alaska, and the curtailment of U.S. forces in South Korea to about 10,000 troops. However, the review also calls for retaining the function of a material prepositioning base.

Plans to eventually withdraw the U.S. Navy stationed in Japan to Hawaii and to scale down the Kadena AFB and other airbases also seem to be under study.

According to the ASAHI SHIMBUN report, a U.S. military source said: "These moves are in keeping with the reductions of U.S. forces in Europe and are inevitable in view of the change in the quality of East-West relations. At the same time, the cooperation of Japan and other allies is a prerequisite to such moves." Thus, it appears that the United States will ask Japan to increase its share of defense by expanding its defensive area to

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cover the regions' 1,000-nautical-mile sea lanes and deploying P-3C antisubmarine patrol craft to Okinawa.

Major General Stackpole, commander of the 3d Marine Expeditionary Force and 3d Marine Division of the U.S. Marine Corps stationed in Okinawa, commenting on the troop reductions has said, "I do not think that there will be any significant changes for some time to come." He has thus indicated that the status quo would be maintained.

Meanwhile, asked to comment on the ASAHI SHIMBUN report, the USMC Okinawa Information Office, taking Gen Stackpole's view into consideration, said: "We have not heard of any report like that at all. It is like a bolt from the blue." The office added: "Although we think that it is impossible, decisions (on withdrawals) are made in Washington. We have nothing to do with them."

The Foreign Ministry said: "We have not heard about the report and we do not know anything about it. Talks are under way between Japan and the United States on specific facilities (regarding the return of U.S. military bases in Okinawa)." The Defense Agency and Defense Facilities Administration Agency said, "At the present stage, we have not heard of it, and it is an unthinkable thing."

#### Article Discusses U.S. Bases on Okinawa

OW1712002989 Tokyo ASAHI EVENING NEWS  
in English 15 Dec 89 p 12—FOR OFFICIAL USE  
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[Article by Yasushige Ide: "Problems on U.S. Bases and New Airport"]

[Text] Okinawa was formerly called an "unsinkable aircraft carrier floating in the western part of the Pacific Ocean." After the second world war, U.S. Forces established a large-scale military installation to control the southwestern islands. The control right of facilities was returned to Japan in 1972. However, the installations still remain even after reverting to Okinawan control. Seventy-five percent of U.S. Forces installations in Japan are situated in Okinawa.

They are the Kadena installation, the largest installation for U.S. Air Force, the Futenma installation for U.S. Marines, and training fields situated in the northern part of the island in jungle area. This anomalous situation wherein the U.S. Forces control one-fifth of the area of Okinawa island has continued. Though the image of the "unsinkable aircraft carrier" is fading, the fact that the whole of Okinawa is a fortress does not change.

In Okinawa, the island on which the U.S. installations are all located, the largest remodeling of the installations since control was reverted to Okinawa was started at the end of last year. The first step in this remodeling started with the construction of a training facility for urban type warfare. Residents who were aware of constructing of the

new facilities in the villages of Onna and Ginoza, located in the northern part of Okinawa island, started a campaign against the construction by building an observation hut near the gate through which many trucks involved in the construction passed.

When residents observed trucks approaching, they staged a sit-in strike on the road to the installation. In October of this year, however, U.S. Forces communicated with the Okinawa Police force, requesting the riot police to be called out. The riot police lifted residents bodily out of the sit-in. Construction of both facilities was completed by the end of November by enforced operations.

The training facilities for urban type warfare aim to provide weapons training assuming there is guerrilla fighting in city streets. Training using live ammunition will be carried out in the Onna facility. This means that ammunition from live weapons will fly around the place only 600 meters from the residential area of Onna, a seaside village which is a base site for sightseeing development with many resort hotels.

Even if relaxation of tensions between the East and the West is continued through Strategic Arms Reduction Talks, conclusion of the INF (intermediate-range nuclear force) Elimination Treaty and active talks between the U.S. and the Soviet Union, local wars are still suspected to occur frequently. The responsible persons within the local military are warning that the Okinawa installation may be further strengthened in response to these circumstances.

At the same time as the construction of the training facilities for urban type warfare, a training field for the Harrier (a vertical short takeoff and landing fighter), the Harrier pad, was constructed at Iejima Island, which is located in the northern part of Okinawa island.

U.S. Forces initially planned to construct it in the Aha area of the village of Kunigami, located in the northern part of Okinawa island. As this area is a habitat of the rare bird "yanbaruina (Okinawa Rail)," people who worry about the destruction of nature and noise pollution accompanying the training and aircraft accidents were opposed. A large-scale conflict ensued including a campaign meeting against the installation where several thousand people gathered, a development rarely seen recently.

The U.S. Forces were compelled to abandon the construction in the Aha area by the anti-installation movement supported by all the residents of Okinawa. U.S. Forces have decided to move the construction site to Iejima with an established auxiliary airport to start training temporarily.

It was a rare victory for the construction site to be moved due to opposition by residents. However, the takeoff and landing training using Harriers, moved from the Iwakuni installation in Yamaguchi Prefecture, will be established on the island. The activities of U.S. Forces in Okinawa

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seem to have further intensified in spite of the desire for reduction of the installations.

#### Public Attention

In addition to installation problems, the plans for construction of a new airport for Ishigaki in the Shiraho area of the island came to public attention throughout the world and were canceled by the administration of Okinawa Prefecture. As the administration announced that the construction site will be moved four kilometers to the north of the construction site planned previously, this conflict is facing a new stage.

As to coral protection, the most important problem relating to the construction, a group of conservationists is offended because nature cannot possibly be protected under such a plan. The group also requests the administration to return to a clean slate because the new construction site is a rare treasure with a lot of Eda corals.

The counterforce against construction made a protest demonstration to interrupt surveying executed by the administration of Okinawa Prefecture. The International Union for Conservation of Nature and Natural Resources (IUCN Headquarters: Switzerland) have started to reinspect the new construction site. The counterforce against construction will actively confront the supporters for the expected construction by the end of the year.

#### Defense Plan Includes More USFJ Expenses

OW1712051189 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 9 Dec 89 Morning Edition p 2—FOR  
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[Text] Regarding the pending issue of the increase in the Japanese share of U.S. Forces Japan [USFJ] expenses, the Defense Agency [DA] decided on 8 December not to exclude this from the next defense buildup plan effective from 1991, but to include this within the plan's framework. The DA reached this conclusion in view of expected protests from the opposition parties and other sectors that "the setting of a ceiling for defense spending through the system of prior statement of the total amount has been rendered meaningless" if a separate budget is set aside for USFJ expenses, and that there is a need to respect the prevailing practice of including this in the current mid-term defense buildup plan (fiscal 1986-1990). The DA believes that a sudden increase in the Japanese share will adversely affect regular equipment procurement in the next defense plan. Thus, it intends to increase Japan's share gradually by shouldering a portion of salaries after the special agreement expires in fiscal 1992, among other measures. The DA will submit such a plan for government internal consultations.

In response to demands from the United States, the government had taken the step of signing a special agreement supplementing the Status of Forces Agreement in 1987 and taken over the payment of (50 percent

of) various allowances paid to Japanese employees. Later, as a measure to aid in ensuring safe navigation in the Persian Gulf, the special agreement was amended in 1988 to enable Japan to take over full payment of such allowances. When the next mid-term defense plan was being drafted, such an increase in Japan's share had not been anticipated. Thus, the DA had, for a time, advocated that the increase "be excluded from the mid-term defense plan." For this reason, the question of whether any further increase in Japan's share of USFJ expenses will be included in the next defense plan has become a focal issue.

In view of the passage of the 1990 U.S. defense appropriations authorization act, which has a rider asking Japan to shoulder all USFJ direct expenses, except for the salaries of USFJ soldiers, in November the government has begun considering increasing the Japanese share at the time the special agreement is to be amended (late 1991). Since the next defense plan starts in fiscal 1991, the DA has decided that there is a need to draw up a blueprint on the increased Japanese share at the drafting stage of the next defense plan. The reason the government is taking a positive approach to the increased burden sharing even without any specific requests from the U.S. Government is because of the need to finalize the next defense plan by next summer.

The increased share of USFJ expenses may lead to an increase in the defense budget, and if the total appropriations for the next defense plan are held down, there is a possibility that appropriations for the Self-Defense Forces' equipment, barracks, and other logistics expenses may be adversely affected. Certain sectors within the Liberal Democratic Party [LDP] have been simmering with emotional reaction to the increased burden sharing, claiming that "the U.S. Congress should be made to understand that the USFJ is not being stationed for the sole benefit of Japan."

Amid the progress in negotiations on disarmament and arms management centering on the United States and the USSR, the percentage increase of the defense budget for the next mid-term defense plan is sure to fall below the target set for the current mid-term defense plan (average annual increase of 5.4 percent in real terms). Thus, the extent of increase in the Japanese share in USFJ expenses is bound to become a major controversial issue during government and LDP consultations on the total appropriations for the next defense plan.

#### Editorial Views Burdensharing for USFJ Expenses

OW1312063889 Tokyo MAINICHI SHIMBUN  
in Japanese 4 Dec 89 Morning Edition p 5—FOR  
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[Editorial: "Impermissible Deviation From the Status of Forces Agreement"]

[Text] An eventuality which we have long been concerned about in Japanese-U.S. security arrangements is



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becoming a reality. President Bush has signed into law a U.S. defense expenditure authorization act which includes provisions about asking Japan to shoulder all the "direct expenses" for the U.S. Forces Japan [USFJ].

We are not sure how the attitude of the U.S. Government, which used to be level-headed on the issue, will change in the future. However, from the mood in the U.S. Congress and public opinion, and from the Bush government's stance of seeking burdensharing from U.S. allies, the pressure on Japan has the possibility of only becoming stronger and not a chance of becoming weaker. We are concerned that the relationship between Japan and the United States itself might deteriorate on this issue.

Aside from the question of expenses for the U.S. forces, the authorization act also contains numerous other demands on Japan, such as: 1) The ratio of the combined amount of defense spending and official development aid to GNP should be adjusted to a level similar to other NATO nations by 1992; and (2) finished products of airborne warning and control systems (AWACS) and airborne refuelling aircraft should be purchased for the next mid-term defense buildup plan.

Although the provisions have no binding power on the U.S. Government, they have been cleverly drafted in such a way that the President is obliged to report to Congress on the situation of implementation in order to have a compulsory effect. President Bush has expressed his reservations on the implementation of this section, because it infringes on his diplomatic powers. However, this does not mean that the problem has disappeared. To confront Japan with such tough views of Congress as they stand will only damage Japanese-U.S. relations. We would like to reiterate our hope that the U.S. side will make a level-headed response.

At the moment, there has not been any formal request from the U.S. Government, and details of the "direct expenses" remain unclear. However, the expression is believed to include all expenses, excluding the salaries of U.S. troops and combat and maintenance expenses. This would include the salaries of Japanese employees, utilities fees, expenses for equipment and repairs, and so forth.

It has been reported that the Japanese Government has decided to sign a special agreement and agree to shoulder additional expenses. There is no satisfactory explanation as to why and how it changed from its original position of hesitation, claiming "without an amendment of the Status of Forces Agreement [SOFA], there is no way to shoulder more expenses."

The Japanese side has shouldered part of the U.S. military expenses through the so-called "compassion appropriations" [omoiyari yosan]. The financial share

for the present fiscal year is around 365.6 billion yen, amounting to more than 40 percent of total USFJ expenditures. The U.S. defense report has even termed this as the "most generous among host countries of U.S. Forces in the world." Moreover, taking the expedient measure of signing a special agreement such as that on shouldering the various allowances of Japanese employees may constitute a deviation from the spirit of the SOFA, which determined the respective responsible areas for Japan and the United States.

Article 24 of the SOFA stipulates that the U.S. side is responsible for the expenses incurred in maintaining the USFJ, while the Japanese side is responsible for providing the facilities and sites and the expenses related thereto. Repeated special agreements on burden sharing would constitute an extended interpretation of the provision and might even render the SOFA itself meaningless. This should not be considered only a temporary stopgap measure. The serious problem of opening the way for shouldering the combat and maintenance expenses of U.S. forces lurks behind the issue.

The "theory of defense free rider" in the United States ignores the present state of responsibility sharing in Japanese defense and the fact that U.S. military bases in Japan constitute a link in the U.S. Far East strategy. The international situation is moving forcefully away from the cold war and toward an era of disarmament. The United States and other countries are being confronted with demands for substantial defense budget reductions. Substantial sharing of the expenses of U.S. bases also runs counter to such a trend.

Needless to say, utmost efforts should be exerted to prevent any deterioration in Japan-U.S. relations. We do understand that with the appreciation of the yen, USFJ expenditures have mounted. It is also necessary to understand the aggravating financial conditions and the irritation and discontent with the huge trade deficit with Japan which lie behind the U.S. side's harsh stance.

However, this is not simply a question of increasing the share of expenses. It is an issue bearing on the very foundation of Japan's security policy. The government is being strongly asked to refrain from taking easygoing measures and to persist in its position of referring back to the basics of its defense policy and state clearly what is right and what is wrong.

At the same time, it has to demonstrate a unequivocal position of working for the elimination of trade frictions through more thorough liberalization of the market, and contributing to the peace and prosperity of the world in non-military areas, such as economic cooperation and international cooperation for regional stability. Convincing the United States through concrete action in such areas will be the only way to bring stability to Japan-U.S. relations from the long term point of view.

**Reaction to Scowcroft Visit to Beijing****Foreign Ministry Comments**

*OW1412031889 Tokyo ASAHI SHIMBUN in Japanese 12 Dec 89 Morning Edition p 2—FOR OFFICIAL USE ONLY*

[Text] In connection with U.S. presidential adviser Scowcroft's visit to China, a top Foreign Ministry official had the following comments on 11 December: "The United States seems to be cautious in judging China's future moves. It is neither optimistic nor pessimistic. I have heard that although China's reaction in hosting Scowcroft's visit was different from its previous attitude of criticizing the United States, it has not also given the U.S. side any concrete indication of future prospects." This shows that the official holds the view that although the United States and China agreed to improve bilateral relations during Scowcroft's visit, the Chinese side has not mentioned any specific solution to the question of lifting martial law or the issue of allowing Professor Fang Lizhi and his wife to leave the country. The U.S. believes that "the United States and China both have to compromise in order to restore relations."

On future Japanese policy toward China, the top official also said that there is no plan to take any concrete actions, such as sending a special government envoy to China, in view of Scowcroft's China visit. He indicated the view that as far as the resumption of new economic aid and exchanges at the ministerial level is concerned, Japan would like to watch for a political signal from the Chinese side for the restoration of Japan-China relations.

**At Odds on 'Human Dignity'**

*OW1412085289 Tokyo NIHON KEIZAI SHIMBUN in Japanese 12 Dec 89 Morning Edition p 2—FOR OFFICIAL USE ONLY*

[Editorial: "How To Assess the Resumption of Close Relations Between the United States and China?"]

[Text] The Bush administration of the United States has taken one step to improve U.S.-China relations. These relations have become tense as a result of the armed suppression of the raging prodemocracy movement in China on 4 June this year. Coming before the ideological conflict on the prodemocracy movement and human rights, which are inherent basic rights of man, is the question of pride concerning what to do with the fists that have been raised as an outcome of fierce arguments. This question has made compromise difficult on both sides.

However, there can be no settlement if both sides just sit and wait for the other side to make a move. The Bush administration has sidestepped the ban on contacts between cabinet members and senior officials and sent presidential adviser Scowcroft to China. This move would certainly provoke strong protest from the U.S.

Congress and human rights groups, which are particularly sensitive about human rights issues.

This is because the issue of "human dignity" is involved as a basic question in the improvement of relations with China. Within the United States, there is a so-called tug-of-war between those who regard this "human dignity" as an absolute value and those who doubt whether it would be right to ignore the high tempo of change in the world situation and keep China "frozen" on this count alone. Scowcroft's visit to China can be assessed as a delicate change of direction to deal with a delicate problem.

However, the Chinese position on the 4 June Tiananmen incident is poles apart from the U.S. stance. It claims that the prodemocracy movement was a rebellion aimed at destroying the CPC and that it was only natural to suppress it. It deems the political and economic sanctions imposed on China by the major Western countries to be "an interference in the internal affairs which one-sidedly forces the Western sense of value on China."

There can be no reason for Japan to keep its giant neighbor, China, "frozen." The Chinese masses are experiencing great sufferings under stiff price increases, industrial stagnation, and bankruptcies due to the retrenchment of the overheated economy.

In this regard, the change in the Chinese Government's economic policy should first be questioned. In the past, there has been a repeated cycle of economic overheating and excessive retrenchment. It seems that the main reason for the present economic depression is that provincial enterprises and individual businesses, which constitute the core of rural industrialization, have been affected too adversely.

However, even discounting the above points, it is still an indisputable fact that the economic sanctions being imposed for the armed suppression of the prodemocracy movement, in the end, seriously hurt the common people. Nevertheless, the issue of "human dignity" remains unresolved between the United States and China, and between Japan and China. There is a need to think about a settlement of this issue in offering economic cooperation to China from next year.

**Contradicts Stated U.S. Policy**

*OW1612001589 Tokyo MAINICHI DAILY NEWS in English 14 Dec 89 p 2—FOR OFFICIAL USE ONLY*

[Editorial: "Diplomacy Toward China"]

[Text] The United States seems to have begun improving relations with the People's Republic of China, although difficulties may arise when the domestic situation of the two countries is considered.



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In Japan's case, the initiative should be taken from a position differing from that of the United States and Western Europe, in view of our historical relations with China.

On Dec. 9 and 10, U.S. National Security Adviser Brent Scowcroft suddenly visited China and met senior statesman Deng Xiaoping and other top leaders.

The appearance of Deng indicates the importance that China is attaching to the latest U.S. approach.

At the July summit meeting of the leaders of the industrially advanced nations, the participating countries unanimously censured the action of the Chinese authorities in Tiananmen Square and agreed that no top-level government contacts would be made with China for the time being. Scowcroft's visit runs counter to this agreement.

In this respect, it was the United States that adopted the strongest sanctions against China, including an arms embargo and prohibiting contacts by high government officials. In particular, the feelings of the U.S. Congress toward China still remain cool.

It is believed, however, that the United States has come to think that any further isolation of China and, consequently, aggravation of the Chinese economy, would not serve U.S. diplomacy. The recent developments in Eastern Europe may also have influenced America's way of thinking.

For its part, China has become nervous about the East European situation and has expressed its displeasure. Also, in regard to the summit meeting at Malta, China, which taking a favorable view of the talks themselves, has emphasized that the international power politics of the two superpowers has not yet ended.

For the United States, which must cope with the rapidly changing Soviet and East European situation, it is not desirable for China to turn its back on the democratization and openness taking place in socialist countries.

At this moment, however, to push China in the direction of isolation and closure will not be beneficial for either the United States or international society as a whole.

Elder politicians of a conservative hue are at present attempting to regain influence, and instead of taking the course of reforms and openness, they are strongly attempting to move the nation in the direction of orthodox Marxism-Leninism.

If Sino-U.S. relations are allowed to remain cool, the conservative elements will be encouraged and this will be detrimental to the reformist faction.

Thus the United States must have judged that the time was ripe for smoothing out Chinese-American relations.

In international diplomacy, the initiative of individual countries is becoming increasingly important. Especially

in the case of Japan, the special relations with China must be kept in mind at all times. It would thus be fitting for Japan to move one step ahead of the European countries and the U.S. in its relations with China.

In mid-August, a mission headed by Masayoshi Ito, chairman of the Sino-Japanese Parliamentarians' League, visited China. At the beginning of November, a representative mission of the Sino-Japanese Economic Committee also went to China. Both groups met and talked with Deng Xiaoping and other Chinese leaders. It cannot therefore be said that Japan is standing idle and doing nothing.

But it should be kept in mind that if Japan continues to trail after the United States continuously in its diplomacy, China's estimation of Japan may decline.

### Japan To Resume Loans

OW1212191589 Tokyo JIJI in English 1327 GMT  
12 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 12 (JIJI PRESS)—Recent U.S. moves to improve ties with Beijing have been perceived by Japanese Government officials as a signal that economic sanctions may be coming to an end. But Japan, afraid of taking independent action and stirring up a congressional backlash, will probably wait for a clearer U.S. go-ahead before reopening funds to China.

U.S. national security adviser Brent Scowcroft went to Beijing last weekend to ease relations between the United States and China, which were tense after the bloody suppression of pro-democracy demonstrations in Tiananmen Square in early June.

In a briefing with Prime Minister Toshiki Kaifu Monday, Scowcroft termed the talks positive.

Japan and other Western nations froze economic assistance to China in the aftermath of the Tiananmen Square crackdown. With the situation gradually easing, the government has okayed the resumption of construction projects in China. On Dec. 5, it approved the resumption of a 4.9-billion-yen grant-in-aid. But Tokyo has kept a freeze on fresh loans on the grounds that Beijing has yet to lift martial law imposed after the summer.

Regardless of the bold U.S. move to normalize ties with China, the decision on the resumption of new loans will be made only after government officials see a change in the broader international situation, the date when the World Bank decides to resume loans being especially influential, government officials said.

Foreign Ministry officials are concerned about how Congress, which is highly critical of the Beijing crackdown, would react to Japan's unilateral resumption of loans, particularly at a time when Japan-U.S. trade friction has reached an emotional stage. Consequently, Japan will follow the lead of the World Bank, where the

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United States has virtually total decision-making power, in determining when to resume loans to China.

### Editorial Praises U.S. Approach

OW1912023089 Tokyo YOMIURI SHIMBUN  
in Japanese 12 Dec 89 Morning Edition p 3—FOR  
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[Editorial: "Wait for China's Positive Measures"]

[Text] Scowcroft, assistant to the U.S. President on national security affairs, who recently visited China, and the Chinese leadership, including Mr Deng Xiaoping, reached an accord that relations between the United States and China, which have deteriorated since the Tiananmen incident in June, should be mended.

The United States holds that its sanctions against China, including a ban on exporting weapons, will not be lifted for the time being. However, it will probably move toward lifting the sanctions in the future, but wait for China's response and watch for the trend in public opinion. Japan should seek the timing for normalizing its relations with China by coordinating with the United States.

At the Arche Summit held in July, major Western industrially advanced nations agreed that, while denouncing the Tiananmen incident and confirming the decision to postpone the World Bank's examination of new loans, conditions should be created for China to resume action to promote reform and the open economic policies, that China's isolation should be avoided, and that cooperative relations should be revived.

By indicating its resolute position that armed suppression of the prodemocracy movement is intolerable from a humanitarian point of view, the West hopes that China would learn a lesson from the incident. At the same time, the common understanding is that from the geopolitical viewpoint and for the purpose of stabilizing the international political situation, it would be preferable to avoid the isolation of China.

The task for the West was to create conditions that would meet these two requirements. China's supreme task was to stabilize its domestic situation. At the same time, it is inevitable for China to have Western nations' cooperation in promoting its economic construction.

The point at issue was which side, China or the West, would take measures to open up the frozen relations first. Nevertheless, even though the current Chinese leadership has confirmed its decision to continue its reform and open policies, it is now impossible for the leadership to explicitly state its reflection on the incident because, in so doing, it would break down its domestic position and lose honor. In such a dilemma, China's irritation has become strong resistance to the West.

After all, the fact is that Mr Scowcroft was dispatched to break this deadlock under the pretext of briefing the

Chinese leadership on the outcome of the recent U.S.-Soviet summit talks. We feel that it was a wise decision for the United States to take this initiative.

It is feared that, if relations with China were left in this deadend forever, it would result, on the contrary, in encouraging the Chinese hard-liners to be against foreign nations. It is reported that Mr Scowcroft's visit to Beijing has been strongly denounced in the U.S. Congress. However, it must be remembered that the West's shift to the line of confining China in the 1970's has led to China's launching its reform and open policies.

We cannot think of the world's new order following the end of the cold war in exclusion of China. The world cherishes expectations that China will play its important role in breaking the deadlock on the Korean peninsula, in settling the Cambodian issue, in preventing proliferation of nuclear weapons, and in dealing with environmental problems.

Of course, we should never forget the Tiananmen incident. Now that over 6 months have elapsed since the incident, China must have come to understand the position of the West. However, it is still necessary to strongly and continually demand that the Chinese authorities respect human rights and make humanitarian considerations.

However, to make China promote the reform and open policies and eventually democratization, will it not be all right to study expanding dialogue with China and reopening cooperation, originally aimed at improving the people's livelihood?

Come to think of it, the ball is now in China's court. We hope that China will take measures to satisfy public opinion in the West, such as measures to improve problems connected with human rights.

### Wisdom of 'Freezing China Out'

OW2012130389 Tokyo THE JAPAN ECONOMIC  
JOURNAL in English 23 Dec 89 p 8—FOR OFFICIAL  
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[Editorial: "Toward Retying the Knot"]

[Text] U.S. President George Bush took the first step in the direction of restoring normal relations with China when he sent his national security adviser, Brent Scowcroft, on a visit there.

It was inevitable that this initiative would arouse strong opposition from a Congress extremely sensitive to human rights issues as well as from conservative groups.

This is because the root issue in the restoration of relations with China is the "dignity of man." In the U.S. itself, there is one body of opinion that holds an absolute respect for that ideal. But there's another group, which, taking into account the fast pace of reform elsewhere in the world, wonders if it is a good idea to continue freezing China out.

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The Chinese position on the June 4 Tiananmen Square shootings is, of course, the exact opposite of the American. Beijing maintains that the democracy movement was resorting to violence to achieve its goal of destroying the Communist Party and that the government had no choice but to crush the movement.

Thus, the Chinese view the political and economic sanctions imposed by leading industrial nations as an attempt to unilaterally push Western values on China and to interfere in its internal affairs. Perhaps in response, the Bush administration has shelved the democratization issue, on which the two positions seemingly cannot be reconciled.

There is no good reason for Japan to continue to distance itself from China. Only the Chinese people, already bearing the burden of rising prices, suffer when businesses scale back or go under as an overheated economy cools off.

It seems likely that the "dignity of man" issue will never be settled between the U.S. and China, or between Japan and China, for that matter. In terms of economic cooperation with China from next year on, it is necessary to clarify Japan's attitude on the point.

#### Government Welcomes Easing Sanctions

OW2112114289 Tokyo JIJI in English 1435 GMT  
20 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 20 (JIJI PRESS)—Japan welcomes U.S. President George Bush's decision to ease sanctions against China and approve the export of U.S.-made satellites to the communist nation, a high-ranking Foreign Ministry official said Wednesday. On Tuesday, Bush authorized the sales of three U.S. satellites to China and defroze Chinese loans by the U.S. Export-Import Bank.

The ministry official said Japan does not think the U.S. move means Washington is ready to lift the sanctions it imposed on China following Beijing's military crackdown on pro-democracy movement in June. But the U.S.-China situation is heading for a good direction and Japan hopes it will develop into a full-fledged restoration, he said. Japan also wants to improve ties with China while keeping close contact with the United States, he added.

The three satellites, made by Hughes Aircraft Co. of the United States, will be sold to Australian and Hong Kong firms and will be launched by a Chinese rocket.

#### Taking Cue From U.S. Actions

OW2012120989 Tokyo THE JAPAN ECONOMIC JOURNAL in English 23 Dec 89 p 9—FOR OFFICIAL USE ONLY

["Political Scene" column by Noboru Yamada, NIHON KEIZAI SHIMBUN deputy political editor: "Tokyo Ready To Normalize Ties With Beijing"]

[Text] Seventeen years ago, Japan followed the U.S.'s lead and began to normalize relations with China, which had been all but suspended throughout the Cold War.

This month, Tokyo appears ready to take the cue from Washington again in altering its policy toward its giant neighbor.

Japan has begun studying a plan to resume economic aid to China that was suspended after the pro-democracy crackdown in June. It will also lift a ban on the exchange of high-ranking government officials with China and send a special envoy to Beijing—probably former Foreign Minister Masayoshi Itoh—to improve bilateral relations.

The moves come in the wake of the sudden visit to Beijing by Brent Scowcroft, national security adviser to U.S. President George Bush, in what most observers see as a U.S. decision to normalize relations with China.

The economic aid under study by Japan includes the nation's third six-year concessionary yen-based loans that will start next fiscal year and total Y810 billion. The loans are expected to be offered to a number of China's infrastructure-building projects. These include the construction of various power generation plants and railroads; construction of chemical fertilizer plants in Yunnan and five other areas; and the development of Hainan Island and other projects symbolic of China's ongoing modernization and restructuring campaign.

Bilateral talks on these projects have been suspended since the Tiananmen Square incident. But the Japanese Government has softened its stance since Scowcroft had talks with Chinese leaders on Dec. 10, and the U.S. and China apparently agreed to improve relations.

"Scowcroft's visit was very important because the Japanese Government concluded it will trigger a normalization of relations between China and other Western nations," says a government spokesman.

At the same time, there is increasing sentiment in Japan that any further deterioration of Japan-China relations would run counter to Tokyo national interests.

This sentiment is especially strong within the business community, and Eishiro Saito, chairman of Keidan en, the influential Federation of Economic Organizations, and other business leaders have been urging the government and ruling Liberal Democratic Party [LDP] to resume economic aid to China.

The business leaders are playing a trump card, that is, "an offer of political funds to the LDP's campaign for the coming general election" if the China position is changed, one observer said.

Yet the government cannot just break a promise made at the Paris summit talks of seven industrialized nations in July that confirmed a number of sanctions against China, including a suspension in exchanges of government officials and freezing of new loan offers.

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Further, the government is reluctant to appear to be moving ahead of other Western nations in offering new loans to China. The U.S. Congress and the UK are still strongly opposed to such an offer and the Japanese Government does not want to invite opposition from them with any precipitous moves.

Indeed, during his talks with Prime Minister Toshiki Kaifu and Vice Foreign Minister Takakazu Kuriyama on his way back home from Beijing, Scowcroft emphasized that Congress was opposed to any improvement in U.S.-China relations.

Still, the Kaifu administration believes the U.S. will lift its sanctions against Beijing in the near future.

And when the lift comes, the government plans to immediately offer the loans and reopen the construction projects in China. For this purpose, Tokyo wants to revitalize the personnel exchanges in a way that both nations can prepare for a lifting of sanctions by the U.S.

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#### PRC Activists Plan Budapest International Meeting

OW1712081889 Tokyo YOMIURI SHIMBUN  
in Japanese 15 Dec 89 Morning Edition p 4—FOR  
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[By reporters Kasai and Honda]

[Text] Wuer Kaixi and Wan Runnan, two Chinese anti-establishment activists currently visiting Japan, granted an interview to YOMIURI SHIMBUN on 14 December, and disclosed their idea of holding an international conference on the theme of "overthrowing the one-party rule by the Communist Party" in Budapest, the capital of Hungary, next spring by inviting representatives from the socialist community, including the Soviet Union and Poland. The objectives are to exchange views on experiences in promoting the democratization movement, which has been strengthened in Eastern Europe, as well as to "discuss the prospects for the road toward overthrowing the one-party rule by the Communist Party."

According to Wuer Kaixi and Wan Runnan, they have already sounded out whether representatives of "Solidarity," the Polish independent labor union; Hungary's "Socialist Party," the ruling party; "New Forum," East Germany's democratic organization; and Dr Sakharov of the Soviet Union would attend. However, attention will be centered on how these labor unions or political organizations of the socialist nations that have diplomatic relations with China will respond to their invitation. They plan to extend their invitations to the governments and nongovernmental organizations of "all socialist nations," to hold a preparatory meeting of the participants right before the conference, and to decide on the agenda and timing for the conference through consultations.

It seems inevitable that the Chinese Government will oppose such a plan. Therefore, it seems most likely that there will be many twists and turns before the conference is actually held as planned.

Concerning the domestic situation of China's democratization movement, Mr Wan Runnan first stated: "At present, our organization is engaged in over 30 activities in Beijing and (in localities) two organizations, the Northwest Bureau and the Southern Bureau, have been organized." Then, he stressed the expansion of the democratization movement and said: "No longer belonging to students alone, the movement has infiltrated into various strata of Chinese society, and a branch organization has been established even in the People's Liberation Army."

Many activists fled China to avoid suppression of China's democratization movement in June and they organized the "Front for Democracy in China" [FDC], an anti-establishment organization, in Paris in September. Mr Wuer Kaixi was elected FDC's vice chairman while Mr Wan as general secretary of the organization. They are visiting Japan to attend the inauguration of the FDC's Japan Chapter.

#### Dissident Leader Plans To Visit Taiwan Late Dec

OW1812114589 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 17 Dec 89 Morning Edition p 7—FOR  
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[Text] Chinese dissident activist and vice president of the Front for a Democratic China (FDC) Wuer Kaixi, who is in Japan for the founding of a FDC Japan chapter, and FDC Secretary General Wan Runnan held a news conference at a Tokyo hotel on the afternoon of 16 December in which it was revealed that Wan may visit Taiwan later this month. He is also expected to contact officials from the Kuomintang, Taiwan's ruling party. After Wan's visit to Taiwan, China's prodemocracy movement's relations with the Kuomintang may become closer. The Chinese Government is thus expected to become even more nervous. The two men also revealed a plan to increase the number of FDC chapters from two to nine by March 1990.

Participation in a seminar to be conducted by the International Affairs Research Center on 29 and 30 December was cited as Wan's purpose in visiting Taiwan. It was also learned that four members of the FDC Japan chapter will also be attending the seminar. In response to the question "shouldn't you attach importance not only to the Taiwan authorities and the Kuomintang officials but also to solidarity with the masses?" Wan answered, "Yes, you are right." This amounted to admitting to the possibility of his contacting Kuomintang officials.

On the other hand, Wuer Kaixi stated the policy of expanding his organization in preparation for "another radical change in 3 or 5 years." Wan stated that "by March 1990, new chapters will be formed in Australia,

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the United States, Britain, Canada, Taiwan, Hong Kong, and Macao." The present FDC organization consists of its headquarters in Paris, a West German chapter, the Japan chapter which held its inaugural meeting on 16 December, and four liaison offices in the United States.

#### **Government Seeks Improved Relations With China**

OW1312012089 Tokyo ASAHI EVENING NEWS  
in English 11 Dec 89 p 1—FOR OFFICIAL USE ONLY

[Text] The government is starting a full-fledged study of measures to improve relations with China, such as the resumption of halted economic aid and Cabinet-level exchanges, in step with the moves of the United States and China to normalize their relations.

In a meeting with Prime Minister Toshiki Kaifu on Sunday, Brent Scowcroft, national security affairs adviser to U.S. President George Bush, said that in a series of weekend talks he had with Deng Xiaoping and other Chinese leaders in Beijing, both sides agreed to move in the direction of normalizing their relations, which had deteriorated after the crackdown on prodemocracy demonstrators at Tiananmen Square in June.

Commenting on the accord, a source at the Foreign Ministry said it facilitates Japan's policy to probe a proper time to improve relations with China. While taking the stand that China should not be isolated, Japan has refrained from taking action ahead of the Western countries for fear of provoking severe international opinion against China.

Government officials say some kind of signal from China is needed before Japan resumes Cabinet-level exchanges with that country and lifts its economic sanctions against Beijing.

A focal issue in the government's study of measures to better ties with China is the handing of Y810 billion credits to China promised last year by then Prime Minister Noboru Takeshita.

The meeting of minds in Beijing is hailed by Japanese economic circles, which are re-examining business policies toward China in the belief that the governmental credits to that country will be resumed early next year.

#### **Nakayama Says Japan May Send Mission to China**

OW1312132989 Tokyo JIJI in English 1235 GMT  
13 Dec 89—FOR OFFICIAL USE ONLY

[Text] Brussels, Dec. 12 (JIJI PRESS)—The Japanese Government plans to send senior officials to China as early as January to improve relations with that country, Japanese Foreign Minister Taro Nakayama said Tuesday.

In a talk with reporters aboard a plane bound from Tokyo to Brussels on his way to a meeting of the group of 24 for economic assistance to Poland and Hungary, he also revealed he will call a meeting of Japanese ambassadors to China, South Korea, Vietnam, Thailand and Malaysia in Kuala Lumpur on Jan. 5.

At the meeting, the participants will exchange views on the political situation in Asia, including Cambodia and the Korean peninsula, amid changes in the East-West relations following the U.S.-Soviet superpower summit in Malta on Dec. 2-3, Nakayama said. The meeting will be held on the occasion of the foreign minister's visit to Thailand and Malaysia from Jan. 2.

#### **Government Considering Resuming Loans to PRC**

OW1212105589 Tokyo YOMIURI SHIMBUN  
in Japanese 10 Dec 89 Morning Edition p 7—FOR OFFICIAL USE ONLY

[Text] In view of moves toward the improvement of U.S.-China relations, which have remained chilly since the Tiananmen incident, the government began considering the lifting of the suspension of new economic aid to China on 9 December. In particular, the resumption of the Japan-China working level consultations on the details of the third yen loan (totaling about 810 billion yen) to be implemented from fiscal 1991 and the resumption of Japanese Export-Import Bank loans to China are being considered. However, since the resolution criticizing China adopted at the Arche Summit (summit of advanced nations) this year still exists, the government, while approving of developments toward the improvement of U.S.-China relations, would like to make its decision after watching moves by the European countries.

At present, not only has new Japanese economic aid to China been suspended; the World Bank, the Second World Bank [Daini Sekai Ginko—Daini Segin], and the Asian Development Bank have also suspended new loans. Among these, some people believe that the United States might lift the suspension of the loans by the Second World Bank early next year.

Meanwhile, trading firm sources consider recent developments to be an indication of under-the-surface moves to improve U.S.-China relations. In Japan-China economic relations, the Japanese Government's decision to give a total of 4,876 million yen in grants-in-aid for four projects, including equipment for a Shanghai hospital, is seen to have been reported to the U.S. Government beforehand and received its prior "okay."

#### **Possible Resumption of Ties With PRC Examined**

OW1412014589 Tokyo ASAHI SHIMBUN in Japanese  
11 Dec 89 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] With regard to the 10 December meeting between U.S. Presidential Adviser (in charge of national security)

Scowcroft and former Central Military Commission Chairman Deng Xiaoping, which set the trend for a normalization of U.S.-China relations, the government believes that, "from the Japanese standpoint, we have been trying to persuade people that 'it would not be realistic' for the United States 'to continue to wait for China to apologize for the Tiananmen incident. It is also necessary for countries in the West to take one or even half a step on their part.' We think this event is a welcomed development." (according to a Foreign Ministry official) The government has been cautiously groping for the correct timing for an improvement of relations in view of the fact that if Japan goes ahead with its attempts to achieve a breakthrough in ties with China before the countries of Europe or the United States do the same, it would appear improper in international public opinion—although Japan has insisted that "China's international isolation should be avoided." For the government, therefore, this recent move on the part of the United States "will make things easier with regard to considerations about the United States." (according to a Foreign Ministry source) Full-fledged consideration, at the ministerial level, of a resumption of the suspended new economic aids and exchanges will be undertaken at the same time that moves on the part of China are being analyzed.

Based on an exchange of views between former Ambassador to China Toshiji Nakajima and various U.S. Government officials, including Lawrence Eagleburger, held during the ambassador's visit to the United States in the second half of November, the Foreign Ministry is said to have had the notion that the United States would take certain actions toward improving relations with China while the Congress is in recess. Moreover, the United States had informed the ministry about the sending of a special envoy to China through diplomatic channels immediately after the U.S.-Soviet meeting in Malta on 2 and 3 December. Ministry officials were also briefed by Assistant Secretary of State Solomon, who came to Japan on 5 December to conduct a briefing on the Malta summit.

As for China, Li Ruihuan, Standing Committee member of the CPC Politburo, in commenting on the timing for the lifting of martial law, has made it clear that it will not be removed by the "Spring Festival" (the lunar new year in China, 27 January). The Japanese Government thinks that "China's isolation is also undesirable for Japan. Even if martial law is not lifted, this does not mean that nothing can be done with regard to policy toward China." (according to a Foreign Ministry official) The government has been searching for ways to improve relations with China while still taking into consideration the policies of Europe and the United States—which have adopted a tough stance toward the Tiananmen incident—as well as moves on the part of the World Bank to offer new aid to China.

Although the Japanese Government welcomes positive moves taken by the United States to improve relations with China, it feels that since the U.S. Congress has

passed an amendment on sanctions against China, hawkish congressional members may again become active when the Congress resumes its session in January. As for Japan, it needs to receive certain "signals" from China in order to resume exchanges at the ministerial level and to lift its sanctions. Thus, based on Scowcroft's report on his visit to China, it will analyze China's intentions and work on an improvement in future relations.

Due to the economic sanctions imposed on China, the question of the suspended Third Yen Loan (1990-1995, totalling 810 billion yen) is currently pending between Japan and China. With regard to this issue, Chinese Premier Li Peng told a delegation from the Japan Association for the Promotion of International Trade (led by Diet member Yoshio Sakurachi), which visited China in late November, that "Japan does not have to get in step with the United States and Europe in lifting sanctions, does it? I hope that the abnormal deadlock between Japan and China will be broken as soon as possible."

Meanwhile, on the issue of exchanges between senior officials, the visit of Chinese Minister of Machine-Building and Electronics Industry Zou Jiahua is being considered. While China has asked that the minister be invited as a "guest of the Foreign Ministry," the Japanese side is hesitant to do this due to the agreement signed at the summit of major advanced nations Archa Summit last July.

#### **Business Leader Urges Early Resumption of Aid**

OW1412083789 Tokyo *NIHON KEIZAI SHIMBUN*  
in Japanese 12 Dec 89 Morning Edition p 2—FOR  
OFFICIAL USE ONLY

[Text] Commenting on economic cooperation with China in the aftermath of improvement in U.S.-China relations, Keidanren [Federation of Economic Organizations] Chairman Saito said during a news conference on 11 December: "Cooperation between Japan and the United States to solve China's problem is the most important issue for Japan, more important than cooperation with East Europe and the USSR. I hope that the third yen loan to China (presently suspended) will be implemented at an early date." He thus expressed his expectation for early resumption of economic aid to China.

Chairman Saito also said: "I think the ASEAN nations want Japan to take the lead." On private level cooperation with China, he stated: "We have also been asked to build a steel plant. If there is no economic and social stability, Japanese capital will hesitate in entering China. With stability, a substantial amount of private investments, including joint ventures, will increase."



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### Journal Views Effects of Tiananmen Crackdown

OW1312090889 Tokyo THE JAPAN ECONOMIC JOURNAL in English 16 Dec 89 p 21—FOR OFFICIAL USE ONLY

[Unattributed "Asia/Pacific" column: "Japan's Future in China—Dealing With the Dragon"—seventh in a series: "Tech Transfers Another Casualty of Crackdown"]

[Text] The crackdown on pro-democracy demonstrators in Tiananmen Square in June was not only a political step backward for China, it was a technological setback, too.

Some Japanese corporate officials say the incident has left them reluctant to provide China with high-tech assistance. That reluctance apparently stems less from conscience than from the Coordinating Committee for Export Controls [Cocom].

Since its establishment by NATO member countries in 1949, the Paris-based COCOM has strictly monitored all transfers of high technology to Eastern bloc nations. Expectations were high in the past two years that it would relax its restrictions, as China's economic liberalization proceeded apace. The Tiananmen Square incident doused those hopes.

"At the moment, we're not considering full-scale partnership efforts," says an executive of Matsushita Electric Industrial co., whose talks with Beijing on the joint manufacturing of videocassette recorders have been stalled since June.

### "Hitachi Shock"

Matsushita's wariness also derives from the "Hitachi Shock" that hit the Japanese electrical appliance industry even before the bloody crackdown.

Early this year, Hitachi Ltd. failed to obtain approval from COCOM for its agreement with China to supply VCR manufacturing technology.

The U.S. objected on the grounds that technology for ultra-precision processing, assembling and testing, which is essential in VCR manufacturing, may be converted to military use. This forced Hitachi to revise the original plan and lower the functions of measuring instruments in order to get COCOM's conditional approval.

Fears of similar criticism from Washington and the difficulty of obtaining COCOM approval have deterred Matsushita from filing an application for its planned VCR project in China.

The Japanese say they have no quarrel with the actual function of COCOM. But they do object to what they see as the application of rules for political purposes.

For instance, when Hitachi tried to export a large computer to China in the early 1980s, the U.S. came out against the move. Three years later, approval was

granted—followed a year later by the export of a large computer from International Business Machines Corp.

Japanese businessmen say this kind of thing happens because many areas of COCOM regulations are unspecified, leaving a wide "gray zone," which certain nations take advantage of.

In any case, a senior official of Hitachi's Beijing office forecasts a cooling off in technological transfers.

"COCOM approval is easily acquired when trilateral relations between Japan, China and the U.S. are in good shape. But conditions are unfavorable when there's a hitch in Sino-U.S. relations," he says.

### Not yet ready

Politics aside, other executives say they harbor doubts about China's ability to make effective use of the technology it does manage to acquire.

Hitachi worked out two projects to extend television technology to the country in the early 1980s. One of them was a joint venture in Fujian Province and the other a manufacturing plant in Shanghai.

The company set up a manual board assembly line in the Fujian plant, believing the Chinese would be unable to make full use of high technology. In the Shanghai plant, it introduced an automated line at the strong request of the Chinese government.

The result: The output of the Shanghai plant was even lower than the Fujian one because no one knew how to repair the automated line, which incorporated a micro-computer, a Hitachi official says.

"The Chinese authorities are quick to ask for technology of the '80s, rejecting equipment from the '70s. But China's present industrial level is like that of Japan in the '60s," warns a trading company official.

Mitsubishi Electric Corp.'s joint elevator manufacturing venture, Shanghai Mitsubishi Elevator Corp., is to domestically produce controlling equipment for elevators, beginning in 1991. Since metal sheet parts have been produced domestically, the joint venture is now trying to make machine parts. The final stage of production calls for manufacturing controlling equipment, which incorporates 16-bit central processing units.

Kenji Saito, deputy general manager, says he's confident that technological transfers will be carried out because the Japanese have persuaded the Chinese to carry out such transfers in stages.

But if, as the Japanese complain, COCOM rulings are often guided by political considerations, even these gradual transfers may come up against a wall.

**Business Prospects in Post-Tiananmen China**

*OW2012190489 Tokyo THE JAPAN ECONOMIC JOURNAL in English 23 Dec 89 p 20—FOR OFFICIAL USE ONLY*

[Unattributed "Asian/Pacific" column: "China Is Still Good Bet in Long Run, Execs Say"—eighth and last in the series "Japan's Future in China—Dealing With the Dragon"]

[Text] Japanese industry is still optimistic about business in China, although concerned about confusion in the wake of the Tiananmen Square massacre and China's cumulative external debt, according to a survey conducted by NIHON KEIZAI SHIMBUN INC.

A questionnaire on business in China was distributed to 100 major domestic businesses of which 70 responded. Japanese corporations are positive about long-term prospects in China, expecting the Chinese market will flourish in 10 to 15 years.

**Mounting Concerns**

Regarding the effect of the Tiananmen Square massacre on China's modernization efforts, 38 percent think that the impact of the incident is still unclear. Another 37 percent say that confusion will continue for about three years and 23 percent think the unsettled situation will continue for about one year. None of the respondents saw the possibility of the modernization policy itself being reviewed.

However, a major source of concern over the prospects for doing business in China is the issue of accumulating debt and the lack of foreign exchange reserves.

One pessimistic heavy electrical machinery manufacturer said the current tight economic policy will unavoidably lead to stagflation.

Other sources of concern cited were economic confusion resulting from inflation in China and the post-Deng Xiaoping power struggle. One food manufacturer expressed concern that China may return to communist principles, with the Tiananmen Square incident giving a boost to conservative trends.

The questionnaire also touched on the current state of doing business with China in terms of joint ventures, exports and imports.

Regarding joint ventures, reports were favorable, with four companies replying that such ventures are performing better than expected. In contrast, many problems were reported in the export and import sectors.

For exports, many respondents pointed out a lack of foreign exchange reserves which leads to payment delays. For imports, many corporations cited problems with China's new law on inspections of imported goods.

Precision instrument makers such as camera and printing machine companies have been boosting investments in China, intending to use it as a production base for exports to other nations.

The survey shows that 52 percent think that the costs of manufacturing in China are much the same as in the countries of the Association of Southeast Asian Nations (ASEAN), while 33 percent said costs in China are lower than in ASEAN member states.

**Wait To See**

In response to a question on when the Chinese internal market will flourish, 38 percent said the market will flourish in 10 to 15 years, and 35 percent saw a time frame of 5 to 10 years. One steelmaker replied that China is already a gigantic market, but a majority of Japanese corporations consider China a market for the 21st century.

On current dealings with China, only one company, or 1 percent of the respondents, indicated that it would suspend an ongoing project. About 14 percent said they will continue to do business with China as usual. Of the remainder, 67 percent responded that they will go ahead with existing projects as scheduled while considering new projects with prudence.

One big construction company said it will take a wait-and-see attitude after catching up with a backlog of orders. An electrical appliance manufacturer replied it is being cautious for the time being in view of increasing risks in the country.

In short, most Japanese companies are poised to continue to explore opportunities to do business in China. And, for the time being, they are closely watching developments there.

**PRC Places Additional Steel Orders With Japan**

*OW1312074389 Tokyo THE JAPAN ECONOMIC JOURNAL in English 16 Dec 89 p 15—FOR OFFICIAL USE ONLY*

[Text] The China Metals and Minerals Import and Export Corp. has placed an additional 23,000-ton steel order with six of the large Japanese steel companies, including Nippon Steel Corp. Part of the July-October consignment will be shipped in January due to the delay in letters of credit.

China originally contracted to buy 1.58 million tons from Japan in the July-December period, but due to a lack of hard currency and other domestic problems, letters of credit were only opened up to a value of 1.199 million tons by September.

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## Soviet Union

### Japan Wants Fishery Talks With USSR Extended

OW1512005889 Tokyo Jiji in English 1317 GMT  
14 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 14 (Jiji Press)—The Japanese Government will propose to the Soviet Union that bilateral fishery talks now under way in Moscow be extended for further negotiations, Vice Agriculture, Forestry and Fisheries Minister Hirohisa Tanaka said Thursday. As an accord is unlikely to come by Saturday when the Japanese delegation's visas will expire, the government will ask Moscow to allow them to stay longer, Tanaka said.

The ongoing talks that began Nov. 28 aim to fix catches and other conditions of fishery operations in each country's 200-mile waters during 1990. As a ceiling on free catches, Japan proposed 210,000 tons for each country, against the Soviets' 182,000 tons. For paid catches in the Soviet waters, Japan called for 100,000 tons, or twice the figure proposed by Moscow. The Soviet Union also insists on a ban on trawl fishery.

### Japan, USSR Officials Begin Environment Talks

OW0712044889 Tokyo Jiji in English 1354 GMT  
6 Dec 89—FOR OFFICIAL USE ONLY

[Text] Moscow, Dec. 6 (Jiji Press)—Japanese and Soviet officials began their negotiations here Wednesday to conclude a bilateral environment agreement. During the two-day talks at the State Committee for Nature Protection, Gotaro Ogawa, counsellor at the embassy in Moscow, and other Japanese Government officials will exchange views with the committee's high ranking officials.

The Japanese side hopes to first know what kind of cooperation and joint efforts in environmental protection the Soviet Union is expecting from Japan, Japanese officials said. The two countries agreed at their foreign ministers' meeting in New York last September to start talks within this year to conclude the pact.

### JOURNAL Editorial Views Malta Talks

OW1312075289 Tokyo THE JAPAN ECONOMIC JOURNAL in English 16 Dec 89 p 8—FOR OFFICIAL USE ONLY

[Editorial: "Malta Brings a Clean Slate"]

[Text] The Malta summit raised more questions than it answered. What new rules will replace the balance of terror that gave the world a sense of security during the Cold War?

While skillfully working out arms reductions agreements between their two countries, U.S. President George Bush and Soviet President Mikhail Gorbachev put the brakes

on drastic change as much as possible in areas where they felt their power was limited. And now they are waiting to see how things turn out. A new map has yet to be drawn up, since the Malta summit was only a launch into the unknown.

The U.S. seems to be considering GATT membership for the Soviet Union as a means of drawing that country into the Western economic order. The problem remains, however, whether the USSR and the countries of Eastern Europe can make the appropriate transfer to market economies. There is even a possibility that the GATT and IMF systems themselves could be changed. And what shocks await Asia with U.S.-Soviet arms reductions?

Then there is the task of distinguishing the commendable from the questionable in West German Chancellor Helmut Kohl's 10 point reunification plan for the two Germanys. As well, measures must be worked out to respond to the centripetal force swirling around the two Germanys, Czechoslovakia, Hungary and Austria.

The greater part of the slate still seems to be blank. With an easing of their ideological battle, the USSR and the U.S. will be found less often at center ring pummeling each other as champions of East and West. Given that, whose interests will be represented by their leaders' words and deeds from now on? If they give top priority to their own national interests, what position will the interests of other countries be relegated to?

Post-Malta brings to the fore a major issue for Japan also. The Cold War was not necessarily a minus for this country. In geopolitical terms, Japan was in an important position. And it was free to devote its energies to economic growth, as other countries concentrated on building up military might. Assuming that the Cold War has indeed ended, what role can Japan take on that is of value to the countries of the world?

### ASAHI Editorial Views Post-Malta Europe

OW1312005489 Tokyo ASAHI EVENING NEWS in English 11 Dec 89 p 3—FOR OFFICIAL USE ONLY

[ASAHI SHIMBUN 10 December editorial: "Post-Malta Europe"]

[Text] With Europe as the center stage—and with a rumbling noise—the wheels of history have begun to move.

Last week's U.S.-Soviet shipboard summit in Malta sounded a death knell to the era of East-West Cold War. And its repercussions are rippling across the whole of Europe. At the post-Malta meetings separately held by NATO and the Warsaw Pact nations, the leaders of both blocs confirmed that each side would work to water down gradually the military aspects of their respective alliance organizations.



Immediately on the heels of the Malta summit, West German Foreign Minister Hans-Dietrich Genscher flew to Moscow and French President Francois Mitterrand visited Kiev to engage in their respective talks with Soviet President Mikhail Gorbachev. Indications are that both meetings focused on the turmoils currently gripping the east European situation—in particular, the issue of German reunification.

Any changes in East-West framework could, from the very nature of things, have an effect on the relationship between East and West Germany—the two countries positioned in the forefront of the cold war. Add to this the repercussions of the tidal waves of East European democratic reforms. It appears that the focus of European diplomacy increasingly is converging on the question of the reunification of the two Germanys.

The eye of the typhoon presently is located right above East Germany. the Socialist Unity Party, which has long held power in that country, is being rocked asunder at its very foundation: as an instrument for the conduct of government, it has begun to fall into a state of dysfunction. With Erich Honecker, the party's former general secretary, topping the list, a number of party leaders are under investigation on suspicion of having embezzled public funds; the people's trust in the party has crumbled to rock bottom. No matter what the regime, once power is concentrated in the hands of a few, corruption becomes inevitable.

From the standpoint of bringing about a genuine democracy, it would be desirable for East Germany's grassroots movement to destroy the rigid party bureaucracy. On the other hand, there exists the risk of unforeseen situations being triggered if the East German regime's ability to govern is, at this juncture, thrown into excessive confusion. for the sake of a reasoned and orderly discussion of the German problem, there is pressing need for a stable government in East Germany.

With these unrests as the backdrop, the East German Socialist Unity Party Saturday held an emergency congress and elected Gregor Gysi, a reformist, as its new leader. The congress also abolished the Central Committee and Politburo—both which have strong scents of a communist Party structure—and established a new executive committee. The party obviously is working hard to revamp its image.

How will East Germany go about redressing the system of one-party rule and creating, through democratic elections, a government supported by the people? Indeed, the country is facing a most difficult trial. Although it is not yet altogether clear as to how seriously the party leadership regards the crisis confronting it, any return to life would be out of the question unless bold reforms are carried out.

The German problem is not a question that only concerns East and West Germans. In greater or lesser degree, it is a complicated issue that concerns all European countries.

Leaders of various countries have made public their positions regarding the issue of German reunification. It appears that their views can be boiled down to the following two points: 1) the need "to respect existing national boundaries;" and 2) "anxieties over the possible re-emergence of a powerful Germany."

As can be attested to by the words of the French novelist Francois Mauriac ("I like the Germans so much, I prefer that there be two Germanys"), the German problem poses a particularly major dilemma for France.

Granted that the two Germanys are reunited, their combined gross national product would exceed France's by more than one-and-a-half times. The status of Austria, which belongs to the sphere of German culture, also probably would be affected.

It could become a future in which France cannot remain an idle bystander. Paris today is rife with opinions voicing warnings about a possible Russo-German alliance and the possible rebirth of a little Entente that includes Poland.

Yet, now that the Yalta system has collapsed, it is impossible to believe that the status quo in relations between East and West Germany will remain as is. It appears that Europe is headed for a most intriguing "season of diplomacy."

#### Japan's Position on East-West Relations Viewed

OW1112183589 Tokyo THE DAILY YOMIURI  
in English 10 Dec 89 p 3—FOR OFFICIAL USE ONLY

["Behind the Scenes" column by Minoru Hirano:  
"Summit Spurs Japan's Arrogance"]

[Text] The U.S.-Soviet summit off Malta ended with the two leaders confirming efforts to terminate the Cold War and support democratization movements in East Europe.

Foreign Ministry officials here gave a high evaluation to the summit. Because the U.S. and Soviet leaders determine the world balance of power, the new feeling of mutual trust will have a favorable effect on all global problems, the officials said.

Some critics object to the idea that the two superpowers determine how the world should be run.

Pointing out that the concrete outcome of the Malta summit was a U.S. overture to extend economic cooperation to the Soviet Union, the cynics say that the two superpowers which once laid down the shape of the postwar world at Yalta, were obliged to help each other to preserve their leadership because both countries are in decline due to economic difficulties.

Ironically, this view has also been expressed by Soviet President Mikhail Gorbachev.

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In December 1987, Gorbachev visited the United States and signed the intermediate nuclear force reduction treaty. During talks with U.S. congressional leaders, Gorbachev said that Japan, Germany and Italy, crushed by the allies in World War II, were economically prosperous thanks to small military budgets and that the United States and the Soviet Union must cooperate on the basis of disarmament.

Economists say that Japan's economic power has shaken West Europe also. They say the European Community is forming a single European market because they concluded that they could not, otherwise, withstand the dynamic challenge from Asian-Pacific countries centering on Japan.

World leaders must feel that economic success has made Japan more and more overbearing.

Gorbachev told Indonesian President Suharto in Moscow in mid-September that Japan in being arrogant by demanding the settlement of the territorial issue as a condition for improvement of Japan-Soviet relations.

Henry Kissinger has repeatedly warned his countrymen that Japan poses a potential danger.

In a lecture in San Francisco in February 1986, Kissinger predicted that Tokyo would demand a political role in the world commensurate with its economic power within 15 to 20 years and that Japan would rearm itself not in the way urged by the U.S. Defense Department, but in its own way when it turns its eyes on world politics. The rise of neonationalists in Japan must have deepened Kissinger's anxiety.

Since the end of the war, Japan has adhered to pacifism. Japanese prime ministers have repeatedly assured Asian countries that Japan would not become a military power.

But Kissinger says the Japanese are a changeable people. Kissinger quotes two major changes in the past 100 years: The switching from national isolation to an open-door policy at the time of the Meiji Restoration; and the switch from militarism to democracy at the end of World War II.

What should concern the United States and the Soviet Union is that Japan and West Germany will challenge their leadership by demanding a change in the Yalta arrangements.

After the summit off Malta, Bush met with West German Chancellor Helmut Kohl and told him that Moscow is nervous about West Germany's proposal for the reunification of the two Germanys and asked for moderation.

The Soviet Union has been rejecting Japan's demand for return of the four northern islands on the grounds that a return would lead to a change of national boundaries in Europe which were determined by the Yalta agreements.

The more the United States cooperates with the Soviet Union, the more it will have to consult the Soviets on how to deal with Japan.

### Europe

#### Polish, Hungarian Envoys Interviewed on Aid

OW1412120689 Tokyo MAINICHI SHIMBUN  
in Japanese 12 Dec 89 Morning Edition p 3—FOR  
OFFICIAL USE ONLY

[Report on MAINICHI SHIMBUN's interviews with Polish Ambassador to Japan Frackiewicz and Hungarian Ambassador to Japan Forgacs on 11 December; place not given]

[Text] Foreign Minister Nakayama is scheduled to leave the country on 12 December to attend the ministerial meeting of aid donors to Poland and Hungary in Brussels on 13 December. On the eve of this meeting, Polish Ambassador to Japan Frackiewicz and Hungarian Ambassador to Japan Forgacs gave interviews to MAINICHI SHIMBUN on 11 December.

The Polish envoy highly appraised the recent announcement of Japan on offering 150 million dollars in loans for the Polish currency stabilization fund. However, he said, "Japanese companies are still cautious about investments. The government is also not taking positive measures to protect corporate investments." He expressed his hope that the Japanese Government would take a more positive attitude toward signing the investment protection agreement Poland proposed.

The envoy also stressed that East Europe may become an enormous market for Japan with the stronger economic ties between East European countries and the EC in the future.

On the other hand, the Hungarian envoy said, "I hope that economic relations will become closer with the overall strengthening of bilateral relations." He indicated his view that if the Japanese Government actively promotes deeper mutual understanding at the people level through bilateral cultural exchanges and language education, this will lead to more enthusiasm to invest on the part of companies.

On Prime Minister Kaifu's scheduled visit in January 1990, he said, "We hope for concrete help to substantiate your moral support," thus expressing his expectation for technical assistance and the promotion of investments.

#### Poland, Hungary To Get \$50 Million More in Aid

OW1712224489 Tokyo YOMIURI SHIMBUN  
in Japanese 13 Dec 89 Morning Edition p 2—FOR  
OFFICIAL USE ONLY

[Text] The government on 12 December decided to add another \$50 million in aid earmarked for Eastern Europe in the form of emergency food aid to Poland and technological cooperation to Poland and Hungary.

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This policy, disclosed by a top-level government official on the evening of the same day, is additional aid to Eastern Europe coming on the heels of the previously arranged \$150 million in low-interest loans to the economic stabilization funds of Poland. This additional aid thus brings Japan's total aid to Eastern Europe to \$200 million.

Foreign Minister Taro Nakayama will announce this basic policy for Japanese aid plans at the "ministerial-level conference on support for Poland and Hungary," scheduled to open in Brussels on 13 December. Prime Minister Kaifu will make a comprehensive official announcement on the aid programs for Eastern Europe centering around the \$200 million in aid during his visit to Poland and Hungary next January.

Regarding aid to Eastern Europe, from its position that "Japan should cooperate according to its ability as a member of the West" on the basis of the accord reached at the Arche Summit (of advanced nations), Japan expressed its intention at a meeting of 24 Western nations late last month to extend \$150 million in aid. In doing so, Japan took into consideration the fact that the United States and the FRG announced that they would contribute approximately \$200 million each to Poland's economic stabilization fund amounting to \$1 billion. In addition, the Government has been working out details internally with regard to cooperation for food and technological aid requested by Eastern Europe.

#### **'Balanced Thinking' in European Aid Urged**

OW2012112689 Tokyo THE JAPAN TIMES  
in English 19 Dec 89 p 20—FOR OFFICIAL USE ONLY

[Editorial: "A Time for Balanced Thinking"]

[Text] In a significant follow-up to an agreement reached at the Paris summit in mid-July of the seven wealthiest democracies, foreign ministers from 24 industrialized Western countries pledged in Brussels last week to step up their aid for Poland and Hungary and promised to offer credit and help for East European nations moving toward democracy. Despite minor differences in stance concerning their respective contributions, all the participating industrial democracies shared a willingness and determination to help the democratizing East European countries overcome the economic difficulties in their way.

The foreign ministers approved an economic aid package for Poland which includes more than \$1 billion in grants and loans to stabilize the Polish economy and agreed on the need to offer a similar package to Hungary. Equally consequential for Poland and Hungary is that all the participants made a clear confirmation of their solidarity with these two nations.

The 24 nations caught up with the fast evolving democratization by agreeing that a similar sort of response would meet East Germany, Czechoslovakia, Bulgaria

and Yugoslavia as they commit themselves to political pluralism and a market economy. Basic endorsement was given to the West European plan to set up a European Bank for Reconstruction and Development (EBRD), which will provide development credit for Eastern Europe. There also was a common understanding that even the Soviet Union would be eligible but would first have to request the aid.

This marks an important step forward from the cautious first move taken at the July economic summit in Paris. U.S. President George Bush had taken the initiative and had won other summiteers' agreement to jointly help Poland and Hungary—the first such undertaking since the start of the Cold War division between East and West—for the purpose of supporting democratization in Eastern Europe. They had a reason for assuming a cautious posture. East Germany and Romania labeled Mr Bush's pre-summit visit to Poland and Hungary as an attempt to drive a wedge between reformist and conservative nations in Eastern Europe. Not a few observers still were worried that President Bush might be embarking on political adventurism.

The sea change toward democracy since then, however, has far outpaced the predictions and expectations even of the pundits. And the agreements and proposals at the Brussels meeting will serve as the basic ingredients in building an international framework of cooperation in the new world which is expected to come after the termination of the Cold War.

Japan has pledged to play an active role in this international endeavor. This nation's economic ties with East Europe are not so strong as those with the United States, Western Europe and Asian neighbors. As a committed member of the West, however, its participation in the joint international undertaking is only natural. Late in November, Japan had already promised to extend a low-interest loan of \$150 million to Poland, which will be disbursed from the Overseas Economic Cooperation Fund (OECF).

Founds from the OECF are basically for helping developing countries. Some criticism, therefore, has been voiced against using them to assist Poland, which is plagued by economic difficulties but is hardly a developing country. But the extension of funds from the OECF is intended to serve as pump priming to channel private sector funds into assistance projects for the emerging democracies of Eastern Europe. Japan's financial muscle also can make great contributions to the proposed EBRD although its establishment is pending further coordination among major donor nations.

What motivated the Soviet perestroika and the democratic developments in Eastern Europe was the virtual collapse of their economies which, it seems, can be revitalized only through introduction of the market-economy mechanism. This inevitably requires the adoption of plural value systems, which has been rapidly



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realized. Their moves toward such economic and political reforms already have played a decisive role in relaxing international tensions.

As an economic power located in one of the regions least influenced by these trends and as one of the beneficiaries of such developments, however, this nation is finding itself in a position requiring more balanced thinking than its Western counterparts regarding the extension of a helping hand to Eastern Europe. In this part of the world, the euphoria of democratic development in Eastern Europe does not yet necessarily help stabilize the international situation.

### Small Businesses Eye East European Market

OW1412130289 Tokyo NIHON KEIZAI SHIMBUN in Japanese 11 Dec 89 Morning Edition p 15—FOR OFFICIAL USE ONLY

[Text] There has been a flurry of activities by leading medium- and small-sized companies to expand trade and engage in joint ventures in the USSR and East Europe, where there is a growing trend of democratization. There has also been quite a number of offers for joint ventures and inquiries for exports. Although there are still quite a number of obstacles to active economic exchanges, such as the shortage of foreign currency and Cocom (Coordinating Committee on Multilateral Export Controls) rules, more and more leading medium- and small-sized businesses are expected to earnestly engage in East European business in anticipation of the greater Europe concept which is a strong possibility after the integration of the EC in 1992.

The Pegasus Sewing Machine Manufacturing Co (main office in Osaka City; president: Omichi Mima) will start exporting sewing machines for knitwear to the USSR through Kanematsu-Gosho Ltd early next year. It used to export sewing machines to the USSR through the West German Company Paf [name as published]. Through the new direct sales route to the USSR, it intends to strengthen its marketing activities.

Daishin Fishery Products (Sakaiko City, Tottori Prefecture; president: Hiroaki Omori) has started to import from the joint venture company for primary processing of shrimp and crabs, the "Dalmore Daishin Sea Product," which it formed with the Soviet Far East fishery production corporation "Dalmoreprodukt." A leading company in Soviet trade, the Hokkaido Overseas Coal Mining and Supply (Sapporo City; president: Jushichi Saito), the Hokkaido Takushoku Bank, and two other Japanese companies have also formed a joint venture with the City of Yuzhno Sakhalinsk in Sakhalin to build a hotel near the Yuzhno Sakhalinsk City Railroad Station.

Among East European countries, economic exchanges with Hungary are most notable. Leading fishing line manufacturer Sunline (Yanai City, Yamaguchi Prefecture; president: Takehiko Miyamoto) has started exporting fishing lines for hobby fishing to communist

countries. Energy-saving machinery manufacturer Suehiro Steel Industry (Kadoma City, Osaka; president: Satoru Nakagawa) has supplied a local home appliance manufacturer, Videostone, with an assembly line of speakers in November. After the recent export, Suehiro has decided to actively engage in marketing in East European countries.

On the other hand, Nippon Application Terminals Manufacturing (Toyonaka City, Osaka; president: Teiji Takahashi) has sent employees of its West German subsidiary, J.S.T. Deutch, to East European countries to survey business opportunities.

Furthermore, the largest manufacturer of halogen lamps, Phoenix Electrical Machinery (Kasai City, Hyogo Prefecture; president: Minoru Nishibori), software developer Softronics (Tokyo; president: Shigetoshi Ono), and other companies have also received joint venture offers from East European countries.

### Foreign Ministry Report on East Europe Situation

OW1912075489 Tokyo NIHON KEIZAI SHIMBUN in Japanese 16 Dec 89 Evening Edition p 1—FOR OFFICIAL USE ONLY

[By correspondent Hirose]

[Text] A meeting of ambassadors to the USSR and seven East European nations and the ambassador to Austria to analyze the situation in East Europe opened at the Japanese Embassy in Vienna at 1500 (2300 Japan Standard Time) on 15 December. Based on this meeting, the Foreign Ministry drafted a report: "The Present State and Assessment of the East European Situation." The report pointed out that: 1) reforms in East Europe are founded on popular will; there can be no turning back; 2) the general trend is for East and West Germany to move toward reunification; and 3) changes in the East European situation also affect the Asian and Pacific region. This was the very first comprehensive report written by the Foreign Ministry on the situation in East Europe. The report will be a groundwork for the new European diplomacy to be announced by Prime Minister Kaifu during his European visit in January 1990.

The report summarized views aired at the meeting of ambassadors to the Soviet Union, Poland, Hungary, East Germany, Czechoslovakia, Bulgaria, Romania, Yugoslavia, and Austria and the consul general in West Berlin to analyze the situation in East Europe and the 14 December meeting of the ambassadors to six West European countries and areas held in Brussels.

### Government Outlines Kaifu's 'European Doctrine'

OW1812012789 Tokyo SANKEI SHIMBUN in Japanese 13 Dec 89 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] As of 12 December the government has decided on the framework of the "European Doctrine" (tentative name) Prime Minister Kaifu will state in his speech to be

delivered in West Berlin during his European visit next January, a government source said.

Its major points will include 1) efforts to strengthen the tripartite relations between Japan, the United States, and Europe; 2) support, in principle, for Soviet perestroika (restructuring); and 3) positive support for the democratization process in Eastern Europe. While watching the shift in East-West relations, the government plans to launch a new diplomacy of consolidating the basis for its negotiations with the Soviet Union through strengthening the cooperation among Japan, the United States, and Europe.

The prime minister's European Doctrine originally focused on the policy toward Eastern Europe. However, in consideration of the prime minister's scheduled visit to such countries as Great Britain, France, West Germany, and Italy, the government decided on working out the basic principles of a policy regarding all of Europe.

In concrete terms, the efforts to strengthen the tripartite relations between Japan, the United States, and Europe, which will be the doctrine's main feature, will include the strengthening of exchanges at two levels, the summit and working level. While the prime minister will launch consultations with the top leaders of the various nations, there will also be tripartite consultations at the working level.

The doctrine also aims at promoting favorable negotiations with the Soviet Union through strengthening the tripartite relations among Japan, the United States, and Europe because it will enhance Japan's prestige in the international community.

In addition, the prime minister intends to clearly state Japan's support for perestroika in the Soviet Union on the condition that it proceeds in the right direction.

He will also make it clear that in addition to settling the territorial issue toward concluding a peace treaty, the efforts to improve Japan's relations with the Soviet Union will include the positive promotion of appropriate practical relations and personnel exchanges.

## Mexico

### Mexican Minister Requests Aid for Latin America

OW1812043289 Tokyo YOMIURI SHIMBUN  
in Japanese 13 Dec 89 Morning Edition p 4—FOR  
OFFICIAL USE ONLY

[By reporter Sasaki]

[Text] While the future of Latin American peace is becoming increasingly unpredictable, Mexican Foreign Minister Fernando Solana, who is making diplomatic efforts to secure an interregional solution to disputes, granted an exclusive interview to YOMIURI SHIMBUN

at a hotel in Tokyo on 12 December. He clarified his views on the Mexican Government's stand on Latin American disputes.

In the interview, the foreign minister noted that "currently, Latin America is in a very delicate and difficult situation" and added, "The Mexican Government will do everything in its power to create an international environment for bringing about peace." He then expressed the hope that Japan would contribute to peace by providing aid for Latin American rehabilitation.

The Mexican foreign minister noted that the biggest obstacle to peace in Latin America lies in the vicious circle of the region's economic backwardness, violence, and misunderstanding, and stressed the importance of economic rehabilitation as a means of creating the environment for peace. Referring to the talks among the foreign ministers of EC member nations and five Latin American countries, scheduled for next April in the Netherlands in order to discuss cooperation projects for economic rehabilitation, he said, "I hope Japan also takes part in the talks."

### Interviewed Before Departure

OW2112084389 Tokyo ASAHI SHIMBUN in Japanese  
14 Dec 89 Morning Edition p 6—FOR OFFICIAL USE  
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[Text] Mexican Foreign Minister Solana, who wound up a 3-day visit to Japan on 13 December, met with an ASAHI SHIMBUN reporter at the Mexican Embassy in Chiyoda-ku, Tokyo, on the evening of 12 December. He called for independent interregional solutions to Latin American conflicts, saying: "Superpower interferences should be stopped." He also appealed: "To lift Latin America from poverty, which lies at the root of its problems, I hope Japan will give plenty of support and cooperation."

Concerning the problems in El Salvador, where a bloody civil war is intensifying between the leftist antigovernment guerrillas and the U.S.-supported government, and in Nicaragua, where a civil war is going on with positions reversed from that of El Salvador, leaders of five countries concerned ended their talks in Costa Rica on 12 December. Foreign Minister Solana explained that "Mexican President Salinas sent letters to the presidents of the five countries concerned and urged them to aim for independent solutions to the conflicts and to reject interferences by the United States and the Soviet Union." He also stressed: "No matter how difficult it might be, dialogue is the only way to bring about true solutions. Superpower interference will never produce good results."

Presidential elections that will greatly influence political trends in Latin America are scheduled in Chile and Brazil this month and in Nicaragua next February. Indicating an optimistic outlook, Foreign Minister Solana said: "Democratization is making rapid progress in Latin America on the whole. The latest summit of the

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five countries is no exception. One should take a good look at the fact that Latin America is heading toward solving problems through its own efforts."

Commenting on accumulated debts, the foreign minister stressed Japan's international role, saying: "After more than 8 years of a 'debts war,' Mexico can now see the light for solving the problem, thanks to Japan's cooperation. Solutions are impossible without the combined efforts of debtor and creditor nations. Taking into account the EC merger in 1992 and the U.S.-Canadian market integration, Japan, which has growing economic frictions with those countries, should turn its eye to Latin America which has greater potential."

## Other Countries

## Yamaguchi Delivers Letter From Aquino to Kaifu

OW1812152189 Tokyo JIJI in English 1433 GMT  
18 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 18 (JIJI PRESS)—Toshio Yamaguchi, a member of the House of the Representatives from the Liberal Democratic Party (LDP), Monday delivered a letter from Philippine President Corazon Aquino to Prime Minister Toshiki Kaifu. Yamaguchi visited the Philippines on Friday, carrying with him a letter from Kaifu to Aquino.

In her reply, Aquino expressed gratitude to Japan for supporting the reconstruction of the Philippine economy and the establishment of democracy in her country. The letter said the Philippine people are relieved at the ending of a military coup attempt early this month.

## Kaifu Seeks Unconditional Dialogue With DPRK

OW1512144589 Tokyo JIJI in English 1309 GMT  
15 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 15 (JIJI PRESS)—Prime Minister Toshiki Kaifu said Friday the government wants to have dialogues with North Korea without any conditions, stressing Japan's positive efforts to improve bilateral ties. Japan and North Korea have no diplomatic relations.

Kaifu's comment came when he met with Chuji Kuno, chairman of the suprapartisan Japan-North Korea Parliamentarians League for the promotion of friendship, who will visit Pyongyang from Tuesday for talks with North Korean leaders on an extension of a private Japan-North Korea provisional fishery accord and other political issues.

Kaifu also asked Kuno to tell North Korean leaders that there is no change in Japan's view about what it did in the Korean peninsula in the past, shown in March by then Prime Minister Noboru Takeshita. At that time, Takeshita expressed Japan's deep regret over its past colonization of Korea.

## \* Commentary: Grow Up To Accept ROK's 'No'

902A0026A Tokyo SANKEI SHIMBUN in Japanese  
1 Nov 89 p 7—FOR OFFICIAL USE ONLY

[Comment by Yi O-ryong, professor of Ewha Women's University, Republic of Korea, in "Fair Argument" Forum: "Japan Should Develop an Ear That Can Listen to 'No'—Think About the Cleavage That Exists Between You and the Other Asians"]

## [Excerpts] Lower House Member Ishihara's Line of Argument for Domestic Consumption

Recently, a coauthored book "The Japan That Can Say No" was the subject of debate in this forum. One of the two coauthors, lower house member Shintaro Ishihara, commented in the book on the elegance of Nihonto—the Japanese word. Unlike the Western saber, a mere tool for murder, he contends that the Nihonto is an object of art that lures one into a mystic world. Perhaps my reading was wrong. From the blade of this book which is bashing America I could not sense the elegance of a Nihonto. What I felt and what is borne out by this book, too, is the fact that the Japanese have been deficient in the training and tradition of saying "No," as pointed out by the other coauthor, Chairman Akio Morita.

If its "No" logic and rhetoric were more refined, perhaps the American press and political circles would not have shown such a negative reaction. When saying "Yes," all he has to worry about is only the looks of his family members, but when saying "No," what is needed is a more cool, universal manner in writing. However, as hinted in a special NEW YORK TIMES dispatch from Tokyo, this book is written with words intended, through and through, for domestic ears only, that is, "Japan only," unlike the well-known "Made in Japan" intended for global consumers. In his arguments regarding open markets, defense, and COCOM [Coordinating Committee on Export Controls] violations, the most controversial points of dispute in Japanese-U.S. friction, lower house member Ishihara buttresses them by using such subjective words as America's external pressure, Japan bashing, willfulness, and hysterics. He writes "Toshiba was done in by COCOM, but this was the result of American hysterics. From a purely legal point of view it was an utterly groundless sanction." Lower house member Ishihara conversely turns the opening point of his logic into its result. [passage omitted]

## Morita's Shoulder-Throw Tactics

Morita in answering says, how "No" sounds and what it contains are two different things. Insofar as logic for home consumption is concerned, Chairman Morita is second to none, the other coauthor included. To the American criticism accusing Japan of being unfair, Chairman Morita's tactics of saying "No" to it is entirely the Japanese-style "shoulder-throw." That is, tossing back the very American word and logic of "unfair," it is the method of battle that counterattacks saying, "It is precisely America which is unfair." At first sight, it looks



logical and persuasive. But calling America unfair does not make Japan's unfair fair. It does not change the fact that a thief caught by a thief is still a thief. Argument is not a game of volleyball in which one side strikes the ball into the court of the other side. The ball of "unfair" is not something that one side can impute to the other. For, if both sides accuse the other side of being "unfair," then both sides become unfair in the eye of a third party. [passage omitted]

In order to become able to do so, before becoming "a Japan that can say 'No'" it will be a matter that must be settled beforehand, and more important to become a Japan that can lend an ear to it when told "No." America is not alone in saying "No" to Japan. Lower house member Ishihara writes if America says "No," talk back "No"; even if the "buy American" policy is enforced, we can sell semiconductors and linear motor cars to the Soviet Union, and we can go on living together with the other Asian peoples. So saying, lower house member Ishihara goes on to write that the colonies which the Caucasians once ruled have not prospered. In Asia, the Philippines which was a U.S. colony has not developed a sound economy, but in the same Asia "the Republic of Korea, Taiwan, and Singapore are prosperous in economic terms, and these are all countries which Japan used to rule before the war." Before laughing at the nonsensical claim that Singapore, which was a British colony has made good thanks to the Japanese rule, before getting angry at the self-serving utterances attributing the economic rehabilitation of these countries to the benefits of Japan's colonial rule one should note, with a great sense of surprise, the inconsistency of Ishihara's thinking that Japan could be friends with the peoples of Asia and coexist with them. These were countries which lacked the capacity for independence, and were turned into colonies and exploited, but it was following liberation from Japan that they began the rehabilitation of their economies.

#### **An Able Person Knows To Be Modest, But....**

There is a cleavage deeper than the San Andreas Fault between lower house member Ishihara who believes that it was thanks to Japanese rule that today's NIC's [Newly Industrialized Countries] have won the honor of such appellation, and the Asian peoples are "ingrates" with strong anti-Japanese feelings. Precisely what the Japanese must guard against is not only the earthquake at the bottom of the earth but also the overconfidence at the bottom of their minds. However strong, however competent, a man cannot survive without friends around him. The same goes for a country.

To be able to say "No" does not make a big power. Only after learning to listen to "No" from outside can a country truly become a big power. It is not a good thing, not for Japan, not for America, not for the peoples of Asian countries to think that it will be safe to say "No" just because they have this much strength (money and

technology). I believe there are sagacious proverbs in Japan: "A talented person known to be modest" and "A rich man never quarrels."

#### **Japan Ready to Increase UN Peacekeeping Role**

OW2811132689 Tokyo MAINICHI DAILY NEWS  
in English 27 Nov 89b p 1—FOR OFFICIAL USE  
ONLY

[Text] The Foreign Ministry has announced a plan to dispatch groups of observers and officials to the world's war-torn areas as part of an effort to increase Japan's cooperation in the United Nations' peacekeeping operations around the world.

The plan calls for such groups to be set up as soon as possible next year. If this materializes it will be the first time that a U.N. member nation will have sent such groups into troubled areas on its own initiative.

The ministry says that the plan was proposed at a general meeting of the Security Council by Japanese Foreign Minister Taro Nakayama, in an attempt to make a positive contribution to U.N. peacekeeping efforts.

Japan's first involvement in U.N. peacekeeping operations took place in June last year when the Foreign Ministry sent an official on an U.N. mission to Islamabad to mediate between Afghanistan and Pakistan.

Then, in August last year, a Foreign Ministry official joined an international team sent to Tehran to observe the situation between Iran and Iraq.

In October this year, the ministry sent its first ever delegation to Namibia—a large group of 31 ministry observers—in order to monitor the progress of the election and the establishment of a constitution there.

The ministry is currently examining plans to send a six or seven-man team to take part in observing the general election in Nicaragua along with three or four other countries, to support the process on Feb. 25 next year.

Furthermore, should peace be established in Cambodia, the ministry expects to send more than 100 personnel to join in supervising a general election there.

According to the ministry, a decision was made to set up an individual team of Japanese observers in order to "further advance Japanese cooperation in widening the scope of U.N. peacekeeping operations."

The first group of four or five Foreign Ministry experts will be sent to the Middle East in January next year, and the possibility of spending two or three weeks visiting a number of areas in the war-torn region is being examined.

The group's mission would be to ensure that Japanese aid so far donated via the U.N. is being put to good use and whether, in the future, there is any chance that other

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groups of Japanese officials will be able to cooperate in such U.N. peacekeeping efforts currently under way as in the Golan Heights in Syria.

In particular, it was hoped that during the Japanese visit to Namibia local diplomats would be consulted as to the possibility of Japan making further contributions to peacekeeping efforts aside from merely supervising elections.

#### Iran's Velayati Invites Nakayama to Visit

OW1512221189 Tokyo JIJI in English 1442 GMT  
15 Dec 89—FOR OFFICIAL USE ONLY

[Text] New York, Dec. 14 (JIJI PRESS)—Iranian Foreign Minister 'Ali Akbar Velayati Thursday extended an invitation to Japanese Foreign Minister Taro Nakayama to visit Iran. Velayati conveyed the invitation to parliamentary Vice Foreign Minister Naoki Tanaka in a meeting at the U.N. Headquarters here. Both were in New York to attend the special U.N. General Assembly session on apartheid.

Velayati said he had hoped to discuss the possibility of opening direct peace negotiations with Iraqi Foreign Minister Tariq 'Aziz, who also attended the apartheid session, but unfortunately 'Aziz returned to Iraq on Wednesday. He asked Japan to play a positive role in restoring peace between Iran and Iraq. Tanaka for his part urged both countries to take a flexible approach to the peace process.

#### Iraqi Minister Asks for Help Building Economy

OW1512005789 Tokyo JIJI in English 1300 GMT  
14 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 14 (JIJI PRESS)—Visiting Iraqi Trade Minister Muhammad Mahdi Salih al-Rawi said here Thursday he expects Japanese firms to take active part in Iraqi postwar reconstruction projects not only in the petroleum sector. Japanese companies should also be active in helping Iraq's industrial and agricultural development, he said at a seminar held here by the Japan External Trade Organization (JETRO) and the Japan Cooperation Center for the Middle East.

Al-Rawi, concurrently serving as finance minister, said Japanese firms are lagging behind companies from other Western countries in making inroads into the Iraqi market. Iraq is ready to give special consideration to Japanese companies which started operations in the Middle East country before the outbreak of the eight-year Iran-Iraq war, he said. Al-Rawi also requested Japanese firms to expand oil imports from his country to help Iraq promote debt payments to Japan.

## National Affairs

#### Column Questions Kaifu Leadership Abilities

OW2012123089 Tokyo THE DAILY YOMIURI  
in English 19 Dec 89 p 1—FOR OFFICIAL USE ONLY

["Political Pulse" column by YOMIURI SHIMBUN political editor Raisuke Honda: "Kaifu Looks a Bit Depressed These Days"]

[Text] The current Diet session, caught up in the consumption tax brouhaha, ended Saturday. Now, the politicians are focusing on the general election slated for February.

Prime Minister Toshiki Kaifu hopes to lead an election that will ensure that the Liberal Democratic Party [LDP] holds on to its majority in the House of Representatives.

However, his close aides and leaders of Kaifu's Komoto faction have not been looking too happy of late.

They are disturbed that some LDP members are overly optimistic and believe that winning a mere majority is enough for the LDP. But it isn't enough for Kaifu. If the Kaifu-led LDP barely scrapes by and picks up just enough seats (250) to hang on to its control of the lower house, Kaifu confidants are afraid his leadership will be questioned.

The reasons some LDP politicians are taking the election lightly is that they say their main opposition, the Japan Socialist Party, was badly muddled in the so-called pachinko scandal. They say that this and other difficulties that have beset Takako Doi's party after the House of Councillors election should turn things around for the LDP.

The optimists also believe that opposition-sponsored bills to abolish the consumption tax and the Recruit scandal trials have not harmed the LDP to any great degree.

But according to Kaifu aides this lackadaisical attitude isn't helping the prime minister one bit. While he smiles and says that just a majority victory should be enough to guarantee his continued leadership of the party, it may not be true.

If, his critics say, the political tide has swung back in favor of the LDP, why shouldn't Kaifu be expected to lead the charge in a big LDP victory?

Kaifu's minions are also suspicious of former Prime Minister Noboru Takeshita, who is said to be running the government from the shadows. According to sources, Takeshita has been meeting clandestinely with leaders of Komeito and recently created a stir when he proposed an LDP coalition with a few opposition parties to take effect after the general election.

Some Komoto faction members suspect that Takeshita's actions have a sinister motive and that he is secretly moving to pave the way for a cabinet led by Shintaro Abe.

Kaifu's problems are also in part his own doing. He has demonstrated a significant lack of leadership—or at least power—lately. He was furious when he learned that LDP Secretary General Ichiro Ozawa and others had decided to dissolve the lower house at the beginning of the ordinary Diet session in early January and to hold an election in February. Kaifu's anger was understandable considering nobody asked him what he thought about the matter. He is after all the prime minister and as such the only person authorized to dissolve the Diet.

The prime minister also fell into a funk when the final draft of the LDP review of the consumption tax was not shown to him until the last moment. No wonder Kaifu's aides are depressed. To some it appears their boss is slipping.

They should look on the bright side. Kaifu got his current job by accident, mostly as a result of LDP bungling. Even if he is only in the catbird seat for a short while, isn't a few months of glory better than none at all?

#### Article Views Kaifu's Leadership Abilities

OW1112152089 Tokyo JIJI in English 1302 GMT  
11 Dec 89—FOR OFFICIAL USE ONLY

["Tokyo Report: Kaifu Fighting Tough Leadership Battle"—JIJI headline]

[Text] Tokyo, Dec. 11 (JIJI PRESS)—Four months have passed since Toshiki Kaifu became Japan's third prime minister this year, but he has yet to demonstrate his leadership.

When Kaifu took office Aug. 9, the longevity of his cabinet was open to question because he has no strong power base of his own within the ruling Liberal Democratic Party (LDP). Recently, however, the prime minister has become increasingly confident because of growing popular support.

A monthly opinion poll conducted by JIJI PRESS in November showed that support for the Kaifu cabinet jumped 10 percentage points from August to 37.7 pct, the highest rating scored by a cabinet in the past year. Pundits attribute the strong popular support to Kaifu's earnest but friendly attitude and calculated political performance.

Encouraged by the public's increased support, the premier expresses his views more openly these days. Last month, he decided to make a tour of Europe in January which will include visits to Poland and Hungary. He also told the government to draw up a budget for fiscal 1990 by the end of this year.

Kaifu's announcement of this political agenda is tantamount to a declaration that he will not dissolve the

Lower House of the Diet, or parliament, for a general election until after his return from Europe. It was also evidence of his refusal to buckle under pressure from LDP members calling for dissolution of the Lower House by the year's end. As some LDP politicians maintain that the dissolution of the Lower House should not be decided by Kaifu alone, he apparently wanted to make it clear that the right to dissolve the house rests with the prime minister.

Former State Minister Toshio Komoto, who is Kaifu's mentor, stresses that the premier has the right to dissolve the house "whatever people may say." Since critics still regard Kaifu as a mere puppet of former Prime Minister Noboru Takeshita, who leads the biggest faction in the LDP, analysts point out that the premier wanted to secure the initiative in managing government and party affairs. But Kaifu could not fully exercise his leadership in revising the unpopular consumption tax introduced in April.

Following the LDP's stunning defeat in July's Upper House election, Kaifu pledged that the government will thoroughly revise the tax, paying due heed to consumers, and prepare an outline of the revision by the end of November.

A high-ranking government official notes that Kaifu made the pledges in hopes of ensuring the LDP's victory in a general election because a defeat would cost him the premiership.

However, recently announced plans for revising the consumption tax were prepared through "coordination of views" between intraparty faction leaders such as Takeshita, former LDP Secretary-General Shintaro Abe and former LDP Policy Research Council Chairman Michio Watanabe, while Kaifu watched from the sidelines. In fact, the prime minister's plan to completely exempt foodstuffs from the 3-pct tax was not included. And the government's failure to prepare an outline of the revision by the end of November has aroused doubts about Kaifu's leadership.

The prime minister's voyage in the turbulent sea of politics is expected to become more difficult.

#### Poll Shows Majority Expecting LDP To Win

OW1512234689 Tokyo MAINICHI DAILY NEWS  
in English 14 Dec 89 p 1—FOR OFFICIAL USE ONLY

[Text] Sixty-five percent of the voters expect the Liberal-Democratic Party [LDP] to win a majority in the upcoming general election of the House of Representatives, according to a MAINICHI SHIMBUN poll.

However, only 33 percent said that they would vote for the Liberal-Democrats, while 28 percent said that they would vote for opposition party candidates. Thirty-five percent said that they had not yet decided.



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According to the poll conducted earlier this month, 36 percent of the respondents said they expected the LDP to win a narrow majority, while 29 percent said they wanted the governing party to far outnumber the opposition.

The poll found that those who said they would vote for the Liberal-Democrats increased by eight points over the previous survey, which was carried out in June prior to the House of councillors election.

Nineteen percent, down from the previous 22 percent, said they had decided to vote for the Socialists, while 3 percent said they would vote for Komeito and Democratic Socialist candidates. Only 2 percent said they would vote for the communists. The poll also found that the consumption tax continues to be the key issue for voters in choosing candidates.

The other criteria which the respondents said they would use for choosing a candidate were the candidate's views on consumer prices, political reform and ethics, education and welfare issues, and land and housing policies.

Concerning the involvement of politicians in the Recruit scandal, 66 percent said they were not satisfied with the way the politicians had assumed responsibility.

#### LDP Panel Unveils Tax Revision Proposals

OW1712000689 Tokyo Jiji in English 1428 GMT  
16 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 16 (Jiji PRESS)—The research commission on the tax system of the ruling Liberal Democratic Party (LDP) Saturday came up with an outline of its tax reform proposals for the coming fiscal year.

The proposals will serve the basis of the government's forthcoming work on the fiscal 1990 budget and put the LDP against the opposition camp in a full debate over what Japan's tax code, including the newly introduced consumption tax, must be like.

In one of the pillars of the tax-reform package, the LDP panel proposed modifying the unpopular 3 pct consumption tax, not scrapping it, and making it more acceptable to Japanese taxpayers. Specifically, it calls for halving the tax rate to 1.5 pct for foods in all distribution phases before retail and imposing no tax on foods in the retail phase. The special measure for foods was adopted December 1 after hard negotiations among party executives.

The LDP leadership initially tried to exempt foods from the tax on all the stages from production to retail. But technical difficulties and other reasons forced it to give up the initial plans despite Kaifu's pledge to modify the broad-based indirect tax in a decisive manner.

In the tax-reform package, the panel also proposed partially reviving a proposal for imposing the same rate of fixed property tax on farmland as that on residential

land in urban areas in order to help encourage land supply for housing construction in and around big cities.

The Construction Ministry initially proposed discontinuing preferential tax treatment for farmland owners in urban areas at the end of 1991. But the proposal drew negative reaction from the LDP tax commission, whose members maintained that the party should not propose a tax revision which could anger farmers with an important House of Representatives election expected to be held in February. But the commission has decided to propose raising tax on farmland only in Tokyo's densely populated 23 wards, where land prices have risen very sharply, making it very hard for ordinary people to find land for housing.

The LDP tax-reform package also includes a series of tax incentives for promoting imports, including a tax-free "import promotion reserve" on trading houses' import costs.

#### Paper Says LDP Betrayed Public at Diet Session

OW1612030389 Tokyo THE JAPAN TIMES  
in English 1 Dec 89 p 20—FOR OFFICIAL USE ONLY

["Opinion" column article by Minoru Tada: "Public Betrayed Again"]

[Text] The 80-day extraordinary session of the Diet, which was convened on Sept. 28, ends tomorrow. It was a "tax" session. The July 23 Upper House election was fought largely on the issue of the controversial consumption tax with the opposition parties calling for its abolition and the ruling Liberal-Democratic Party (LDP) promising a sweeping revision of the tax. The opposition, specifically the Japan Socialist Party (JSP), won the election and the LDP went down in crushing defeat as it lost its majority in the upper chamber. The stage was thus set for a bitter confrontation on the tax in the extraordinary session.

The consumption tax was not the only issue. The LDP felt it had to recover the public trust which it had lost as a result of the Recruit shares-for-favor affair. Still the main battle was over the consumption tax, however. Should it be abolished or continued after being revised?

The opposition parties promptly presented a package of bills including one for abolition of the tax. Quite naturally. After all, the majority of the voters had supported the call for abolition at the July polls. The LDP should have come up equally promptly with a bill for continuation of the consumption tax but after its revision. The least the LDP should have done was to announce its plan for the revision at an early date.

Public expectations of a major debate on the tax issue were betrayed, however. The responsibility can be laid to the LDP which delayed the announcement of its revision plan. It also raised matters little related to tax and

political reform. The opposition parties' bill for abolition of the consumption tax was less than perfect. It had defects which the government party quickly pounced on.

The so-called "pachinko affair" also got into the act, as it were. A weekly magazine carried an article suspecting links between the JSP and the pachinko (pinball) industry. The LDP pounced on this matter, too. All this virtually sidelined the tax issue. It is recalled that the bill for establishment of the consumption tax had passed the Diet without substantial debate because the revelation of the Recruit affair preoccupied the lawmakers. The extraordinary session provided a good opportunity to correct that omission. But the opportunity was lost again.

The LDP's plan for revision of the consumption tax, which finally came after much to-do, was far from the sweeping revision which the party had publicly promised. The party at least should have corrected the aspects which the consumers unanimously criticized as being undesirable. The plan makes no mention of the book-keeping method whose adoption makes the consumption tax so questionable. Neither does the plan refer to the system which, in effect, allows business operators to pocket a part of the consumption tax collected from consumers. The party also fails to make other corrections. Moreover, the LDP also has not corrected the basic and biggest problematical point in the tax reform, that the system favors the rich at the expense of less fortunate people. As a result, there is no proposal for heavier taxation on gains made in land and stock transactions. Other inequities remain.

The consumption tax favors the rich and disfavors those in the low-income class. Prime Minister Toshiki Kaifu wanted to carry out a bold reform which would be helpful to those not privileged. The proposed revision calls for lowering the tax rate on food items from 3 percent to 1.5 percent at the production and wholesale levels and exemption from the tax at the retail level. It is not real reform at all.

The consumer is actually paying the consumption tax. Exemption at the retail level only confuses the consumer, who does not know how much tax he or she is paying. It is like hiding the consumption tax from the consumer. It can even be said that it is a plot of the LDP and the Finance Ministry to give the impression that the consumer is not paying this tax at all.

Just as the opposition parties' bill for abolition of the consumption tax passed the Upper House but will not pass the Lower House, the LDP's bill for revision of the tax will be blocked in the Upper House at the ordinary Diet session next year. Consequently, the present consumption tax will remain unchanged.

### **Kaifu's Power Over Liberal Democrats Viewed**

*OW1412142689 Tokyo ASAHI EVENING NEWS in English 13 Dec 89 p 7—FOR OFFICIAL USE ONLY*

[Unattributed article: "Kaifu as Front-Man; His Presence Masks Old Guard's Hold on Power"]

[Text] Japanese Prime Minister Toshiki Kaifu's honeymoon with Liberal-Democratic Party (LDP) power brokers appears to be over.

Increasing evidence of strain in the LDP has appeared only four months after Kaifu assumed power as window dressing for the scandal-ridden governing party.

Straws in the wind also give clear signs that the actual decision makers in the government are the old-guard politicians who do their wheeling and dealing behind the scenes.

Kaifu vented his anger Dec. 6 over the media reports that the lower house would be dissolved at the end of next January and a general election held on Feb. 18.

"I haven't decided that, yet," he told reporters. "Who decided the election schedule? My priority is to have a supplementary budget for the current fiscal year passed before the election."

But one LDP leader said the prime minister should have remained silent rather than demonstrating how far out he is from the LDP circle of policy-makers.

One of Kaifu's own supporters said, "The weakness of the Kaifu cabinet has become so evident in the minds of the public that he will have much difficulty in managing LDP politics, even if the LDP succeeds in retaining control of the lower house in the election and Kaifu retains the reins of government."

In an opinion poll conducted by the ASAHI SHIMBUN on Dec. 6 and 7, the approval rating of the Kaifu government dipped to 35 percent from 42 percent in October and 39 percent in September. And the government's disapproval rating jumped to 40 percent from 37 percent in October and 35 percent in September.

The largest proportion of the respondents (24 percent) said they were frustrated with tax reform, and another 14 percent said they were most dissatisfied with prices and the business policies of Kaifu's government.

The approval rating for the largest opposition party, the Japan Socialist Party, remained at 30 percent from October, though still lower than 33 percent in September.

The decision to dissolve the Diet and the date of the subsequent election is the prerogative of the prime minister. But it appears the date of the election was actually determined by the traditional power brokers in the LDP.

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Kaifu steadfastly insists his overriding concern is to have a supplementary budget passed during the next ordinary session of the Diet, which will be convened sometime around Dec. 28. That action would also serve to postpone the inevitable election.

Kaifu is known to favor a delay in the dissolution of the lower house to assure himself the longest-possible term of office. The LDP is sure to lose many seats in the election, making his hold on the prime ministership tenuous. Though few are willing to predict the LDP will lose its majority in the lower house.

If the LDP fails to hold the majority in the next general election, the Liberal-Democrats are likely to hand over the government to the opposition. Even if the LDP continues in power in a coalition government, it is likely it will change the guard.

The LDP selected Kaifu to avoid the traditional jockeying for the prime ministership by the leaders of intra-party factions. Kaifu was then not a politician to be reckoned with, much less a faction leader. And it was hoped his selection would help the party's image, tarnished by the involvement of every major LDP politician in the Recruit shares-for-favors scandal.

To all appearances, old guard politicians implicated in the Recruit scandal have remained on the sidelines by agreement of the LDP leaders.

Four months after Kaifu's coming to power, however, party leaders who call the tunes from behind the scenes are pulling the rug from under him on policy matters.

On the controversial 3-percent consumption tax, which Kaifu committed himself to radically revamping, the Liberal-Democrats decided to limit exemptions to retail foods only. The move would effectively lower consumer prices by about 1.5 percentage points. Kaifu was forced to swallow the decision, thus reneging on his public promise which suggested sales of food at every level would be tax-free.

Kaifu vented his anger at Finance Minister Ryutaro Hashimoto, who called on him at his official residence on the morning of Nov. 30, and again that same afternoon on the Diet floor when he told Hashimoto with tongue in cheek, "Thank you for the bitter medicine."

Kaifu's ability is increasingly called into question on foreign policy matters as well. When he met with first-term parliamentary members of the LDP Nov. 29, junior members criticized him for saying little on recent events in Eastern Europe.

His comments to the media on the moves toward democracy in the region were: "These are some of the scenes in a series of big change"; and, "They are internal problems of those countries."

Kaifu, who as a former education minister had been reputed to be weak in foreign policy, was reported to

have managed to pass muster when he visited the United States and met President George Bush three weeks after becoming prime minister.

"Meeting with President Bush was my first big test as prime minister," Kaifu said at the time, priding himself for having overcome his weakness.

### Two LDP Leaders Back Idea of 'Partial Coalition'

OW1512021689 Tokyo THE JAPAN TIMES in English  
14 Dec 89 p 1—FOR OFFICIAL USE ONLY

[Text] Two senior members of the Liberal-Democratic Party [LDP] on Wednesday joined former Prime Minister Noboru Takeshita in suggesting the possibility of forming a "partial coalition" with some opposition parties after the upcoming general election.

Shin Kanemaru, a former deputy prime minister, and Masayuki Fujio, former chairman of the LDP's Policy Affairs Research Council, each expressed their support for Takeshita's idea.

In a speech at Takaoka, Toyama Prefecture, Kanemaru said formation of such a coalition might not be easy, but politicians must consider the notion for the good of the nation.

Kanemaru heads the LDP's Takeshita faction, the largest group of Diet members within the party.

None of the three LDP leaders has made explicit mention of Komeito or the Democratic Socialist Party [DSP], but sources close to the ruling party said they had the two centrist parties in mind as potential coalition partners.

Both Komeito and the DSP have already rejected Takeshita's suggestion.

Fujio told other Diet members that Takeshita was believed to have made the proposal because of the need for better policy coordination in the Diet. The LDP lost a majority in the Upper House in the July 23 election.

"Telling the people which way we are going to head is important to give feelings of assurance to them," said Fujio, a senior member of the LDP faction led by former Foreign Minister Shintaro Abe.

Other LDP members have already spoken of the possibility of a partial coalition with the DSP and Komeito. The comments by Kanemaru and Fujio are expected to give impetus to such a move.

### \* Interviews With LDP's Young New Leaders

902B0019A Kyoto VOICE in Japanese  
Oct 89 pp 74-92—FOR OFFICIAL USE ONLY

[Interview with Ichiro Ozawa, Tsutomu Hata, Koichi Kato, and Yoshiro Mori by documentary writer Soichiro Tahara; date, place not given]



**[Text] Counterattack by Neo-New Leaders**

Having three prime ministers in 1 year, Noboru Takeshita, Sosuke Uno, and now Toshiki Kaifu, has occurred for the first time since the chaos of losing the war and it is an end of an era phenomenon, whichever way you look at it, where prime ministers are used and then discarded.

Even in the case of Prime Minister Kaifu, the third prime minister, it was difficult to obtain agreement on his selection, despite the fact that he was nine years younger than former Prime Minister Uno. For example, why wasn't Ryutaro Hashimoto, who had received overwhelming calls from both inside and outside the Liberal Democratic Party (LDP), named as a candidate?

The selection of Toshiki Kaifu by the Takeshita, Abe, and Nakasone factions, shoving aside the strong-willed leader of the Komoto faction, the weakest and smallest faction, was unusual. However, it was extraordinary for the Miyazawa faction, which did not join the others, to support Yoshiro Hayashi who is not of their own faction.

In any case, will the LDP, which suffered overwhelming defeat in the House of Councillors election where it lost the majority by 18 seats, really be able to regenerate?

To regenerate, are they planning somehow or other to execute a counterattack with some reform, seizing some opportunity?

From an analysis of the current pitiful situation by four men regarded as neo-new leaders, the true core of the LDP, we have made a thorough attempt to identify the true scenario for regeneration.

**Ichiro Ozawa: Kaifu Administration To Make Decision**

Ozawa is from the Iwate Second Electoral District, born in 1942, graduate of Keio University, affiliated with Construction, Post and Telecommunications Ministries.

Ichiro Ozawa (Takeshita faction), 47, elected seven times, is a man who contrived to launch the Soseikai (Founding Government Society) while being the closest of the associates to Kakuei Tanaka, and at the young age of 40 was regarded as the next leader of the Takeshita faction. It has been 24 years, since Kakuei Tanaka, since there has been a 47-year old secretary general. He is the most powerful neo-new leader, and demonstrated muscle even in the presidential election. He is said to have sprung over Ryutaro Hashimoto about whom there has been a lot of gossip.

I questioned Ozawa about this first in the office of the LDP secretary general.

Ozawa: Various things are being said by third parties and I have been silent because I am not the kind of person to go around explaining every little thing, but it is common to have discussions about the election of chairmen of town councils and the election of municipal assemblymen. Everyone comes together worried about what to do....

In these discussions, there have been talks with Chairman Kanemaru and also with former Secretary General Hashimoto about what to do. However, Chairman Kanemaru has said that "I am the person most responsible for creating the Takeshita regime and all the members of the Keiseikai (Statesmanship Society) have that responsibility. That is the reason why Uno also failed. This time there will be no aggressive selection of anyone by me."

That is a sound argument. Therefore, I always said in gatherings of supporters that "there will be no aggressive selection by me. I have repented. However, if most of you in the party want to go with Secretary General Hashimoto, for example, I will go along with your opinion." So, from talk about this person and that, it developed that Kaifu came out. You will understand if you ask the people who were with me.

Tahara: Within the LDP, there have been many strong opinions that the Kaifu administration is provisional and a stopgap. What is the truth?

Ozawa: Since it is the president and cabinet of the majority party in government, it is impossible to say anyone is provisional. If he loses in the election on 30 October (presidential term), it can't be helped, but I do not think he is provisional. I am resolved to act with the intention that it will be a full-scale administration.

Tahara: In spite of that, there has been terrible confusion in the LDP. Between the overwhelming defeat in the House of Councillors election and now with already having the third prime minister this year, there has never been such an event since the chaos of losing the war. What do you think are the causes of this confusion?

Ozawa: They say it's Recruit, the consumption tax, farm products, or one thing or another, but fundamentally it is postwar growth, the catch-up and pass type of modernization since the Meiji Period, centralization of government power, and Tokyo centrality. All have come in the course of that expansion. It's been 100 years and although the time has come for changes and reforms in that basic framework and structure, the present system is riding the current of stabilized times. The LDP was late in a response and though it is said we were sitting on our laurels, I believe it couldn't be helped."

Tahara: Speaking of the "delayed response," frankly, the LDP does not say exactly what should be done and from the people's view, they have conducted politics with lies, saying, "Look at my face. Does it look like a face that would implement a sales tax?", yet they have tried to introduce it. It's not just at home. Aren't they doing the same thing to foreign countries, too?

Ozawa: I mentioned that point at a meeting of the Youth Division, Youth Bureau, yesterday, but we believe that tax reform is proper. I am willing to correct what is wrong, but it is no good to run away from it or vindicate it.

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Tahara: At the time of the House of Councillors election, however, everyone kept saying we will take a second look. They were just avoiding the appearance of doing something bad.

Ozawa: So we must explain up front, persuade, and carry out in a dignified manner what we believe is proper, though there may be some criticism.

In my meager experience with U.S.-Japan diplomacy, the Japanese never definitively say yes or no. For some reason, they talk as if they will do it and then when they don't do it, they become liars. I believe this is the most important thing in both domestic and foreign policy. Do what you have said you will do and if it is impossible, say precisely that you can't.

Tahara: There seems to be the problem of liberalization of farm products also.

Ozawa: That's right. In reality, haven't we said we would not liberalize farm products and then done it? This is true.

#### Reform of Election System, Feelings About Throwing Out the Cabinet

Tahara: Lying politics, a lying LDP.... Why has it come to that?

Ozawa: Somehow society overall is going well, so they say it is all right not to say anything is disagreeable on purpose. Indeed, they say that even if it were to become impossible to make such deceptive responses, it would be better not to say anything that is disagreeable. In other words, there is timidity in stability. In a real sense, rather than a lack of sincerity and truth...it is probably a lack of courage to do it.

Tahara: So, specifically, where is the LDP making what reforms? But before that, why has the Japan Socialist Party (JSP), which was said to have been stagnant for a long time, won easily in the previous House of Councillors election without doing anything much? How do you see that phenomenon?

Ozawa: It is because they were not backed by specific policy. The Communist Party (JCP) had the Tiananmen Square incident and nothing was known about the Clean Government Party and Democratic Socialist Party (DSP). So, votes criticizing the LDP, votes that they didn't want to join the LDP this time, went to the JSP whose nature resembles the LDP as a party.

Tahara: Does the JSP resemble the LDP?

Ozawa: The party nature is exactly alike. However, the LDP actually has the political power. Realistically, they must respond rigorously, even if painfully, to severe changes of the times. On that point, the other party is carefree and has done as they please. That is the difference.

Tahara: There is none that resembles the LDP in nature and has what seem to be proper policies. The JCP and Clean Government Party are disagreeable, but the JSP does not seem to do anything or to be capable of anything. Therefore, they went to the JSP with peace of mind.

Ozawa: I think so. Because without anything, they are safe and harmless.

Tahara: Well, now. How are you going to get back those votes that went to the JSP? What is your strategy as secretary general?

Ozawa: We do exactly what must be done. We govern without running away or deceiving. Specifically in regard to the political reforms and tax reforms which are the immediate question....

Tahara: There are those points, but the most important things are performance that will show the people how and where the LDP has changed and that is the greatest role of Secretary General Ozawa.

Ozawa: I am not very suited to that performance.

Tahara: That cannot be. A fellow must not be silent.... You must express yourself in words and attitudes.

Ozawa: On those points, I am saying that I want Kaifu to be resolved to decide. Take, for example, "political reform." This has only proceeded in words and moreover there have been many side issue arguments.... This is fundamentally the election system. It includes the small electoral district system.... As to whether or not this will seriously be carried out, I believe it will be done if there is a feeling that the cabinet will be thrown out.

Tahara: To be frank, when I hear the political reform debates, only the official stance is presented and it is a whitewash with no basis in reality.

Ozawa: The problem is the election system. There cannot be any political reform without it. However, I believe that no one dares to do anything at all to the election system. So it has ended up as an official stance discussion.

Tahara: Are you going to try to dissolve factions or put an end to plutocracy?

Ozawa: That is contrary to logic. Ito and Gotoda also understand that. However, they are not developing any revisions to the election system. So it ends up in simple performance. This is no good. If a decision is made to replace the cabinet, it can be done. I plan to tell Kaifu to be resolved to make that decision.

Tahara: When it gets down to rock bottom, will the LDP take actions which will be painful?

Ozawa: I believe that will be difficult for the party. It will be like stirring up a hornets' nest. However, it does no good to muddy the waters by attempts at deception. I believe that the most important and necessary thing now

for Prime Minister Kaifu is to say "I will wager the fate of the cabinet on political reform and reform of the election system which is the basis of any political reform."

Ozawa stressed that "daring to do the most painful thing at the most painful time and uttering harsh words instead of sweet words of deception—that is reform."

Finally I asked what he would do if the LDP loses the majority in the general election.

Tahara: Are you planning to engineer a majority faction, taking in somehow the Clean Government Party or DSP?

Ozawa: No, we are not. I believe we should go out of power and start over without engineering any coalition.

Tahara: And if you were invited to a coalition of minority party leadership?

Ozawa: We would refuse. We should refuse.

#### Tsutomu Hata, Dietmen in the Street

Hata is from Nagano Second Electoral District, born in 1935, graduate of Seijo University, affiliated with Agriculture, Forestry and Fisheries Ministry.

Tsutomu Hata (Takeshita faction), 54, elected seven times, is one of the core people in the formation of the Soseikai. Along with Ichiro Ozawa, he is regarded as the next leader of the Takeshita faction. In that sense, he is a rival of Ozawa and in the sense of being a balance to the militant Ozawa faction, he has many supporters inside and outside the party.

Tahara: I'd like to confront you with the same question I asked Ozawa. Despite the plethora of calls for Hashimoto inside and outside the party, why did the Takeshita faction ignore him? It is said that his colleagues, more explicitly, Hata and Ozawa people, dragged their feet...

Hata: There is no problem on the personal level. There is the rumor that it was because Hashimoto and I, or Ozawa, do not get along, but that is absolutely not so.

Indeed, there were many supporters of Hashimoto at a national representatives' meeting after the election loss (House of Councillors election). That is a fact. However, though Hashimoto served 2 years as the acting secretary general from the time of Takeshita's tenure, and conducted the election campaign as secretary general, still there were those who demanded the resignation of Prime Minister Uno as the one responsible for the defeat. Hashimoto said he, himself, wanted to take that responsibility as secretary general. This point is very clear because it came from Hashimoto.

Tahara: Nevertheless, the cause of the overwhelming defeat in the House of Councillors election is said to have been a compounding of several bad elements from the Recruit incident to introduction of the consumption tax, liberalization of farm products, and the prime

minister's women problems. Aren't there more fundamental causes or lesions in which such bad elements had to be present? For example, it is said that Masaharu Gotoda was in the seat of power too long and "metal fatigue occurred."

Hata: Indeed, looking back over the LDP, in the past we would ride in a year-round campaign car.... It was not particularly in my own constituency, but nationwide and we talked frankly directly to the people. We made proper appeals and explanations and, of course, directly heard the opinions and complaints of the people. We did this many times. That was normal and proper, but when did it begin? ... It was the strike for the right-to-strike (1975, time of Miki Cabinet). Ever since then, that has gradually disappeared.

Tahara: Had the sense of crisis disappeared? The minority parties were disheveled.... More than that, wasn't effort put just into Diet countermeasures against minority party opponents and parliamentary management techniques rather than appeals to or persuasion of your fellow people, and you ended up alienated from the people?

Hata: That point is true. In that sense, even though it is said we neglected or forgot the basis of democracy, it couldn't be helped. I repeat that having ridden out the strike for the right-to-strike, the LDP was invigorated and stabilized. Reassured by that and self-confident, we were sitting pretty.

Tahara: So you acted knowing full well that there was the House of Councillors election and metropolitan assembly elections following on the heels of the introduction of the consumption tax and liberalization of farm products, not to mention the Recruit incident. You are cautiously calculating the timing for the House of Representatives election, but isn't that posturing so that later the timing can be made the scapegoat?

Hata: I have always said that. It was the same at the time of the sales tax, but to do it before the election of regional Dietmen was nonsense. To have the metropolitan assembly elections two months after the introduction of the consumption tax was the most dreadful time. Really, we should do it at the time of our own election as it was we who decided to introduce it. On that point, it goes without saying that the party's inherent vitality would be lost if we ourselves faced up to the masses.

Tahara: The House of Representatives is important. Or in other words, "I am important. This is an "egotistic party," not a liberal democratic party. [play on words: "jibunto" versus "jiminto"] If you really planned the House of Councillors election to be a covering fire, you should have held same day House of Councillors and House of Representatives elections. It would also be to demark the Recruit incident.

Hata: So, in the case of this election, too, I was an advocate of having same-day elections. If the people in the House of Councillors and the 295 people in the



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House of Representatives all stood in the streets, seriously appealed to the voters, and seriously fought, this tragic defeat would never have happened.

#### **Don't Run Away, Don't Vindicate, Appeal Directly**

Tahara: In that sense, it has become a conservative party in the worst sense. Is it conservative to protect only oneself, not to protect the nation, the people, or the party?

Hata: Yes. That is why I have gone around saying don't run away, don't vindicate. We must become a fighting LDP.

Tahara: What is this "fighting LDP"? Could you be a little more specific?

Hata: It is not to run away, not to deceive, not to vindicate, and to appeal and to talk directly and to the point. Surprisingly, due to the mass media, the people of Tokyo have the misconception that many regional people... did not understand the regional elections, but that is absolutely wrong. It is not so.

Tahara: Rather than the mass media, the ones who have the misconception are the bureaucrats and politicians of the central government agencies. They must be trusting without being informed. So the consumption tax and liberalization of farm goods are only explained in terms of advantages or disadvantages. It is to your benefit to choose the way we do things, you say. However, this in itself is a deception. It is not a question of advantage or disadvantage. It is a question of whether or not international rules and systems are broken.

Hata: That is right. For example, when I went to give support in the regional elections, town councilmen and prefecture assemblymen said, "Please stop explaining about the consumption tax. We don't want you to touch upon it at all." It was the same everywhere. So I insisted, "If I am restricted in what I say, I will go home. If a Dietman comes and avoids this, they will think he is a humbug." They gave in, saying, "Well, it can't be helped. Be as noncommittal as possible." However, I was not noncommittal and spoke very honestly on precisely the real facts. They understood perfectly and there was applause at the end.

It was the same in several regions. Welcomers came to the airfield and said, "We want you to apologize about the farm product liberalization issue, and say that it is inexcusable." So I insisted, "I can't, because I did it. Why did we have to liberalize? I will speak precisely about that, and we will seriously consider together the future and hopes for Japanese agriculture and have discussions for that purpose. Let's be resigned to the uproar and act. That is why I came and if you say that is no good, I will go back." Then the people who came to greet me gave in, saying, "Well, that can't be helped." If you talk precisely with no deception, everyone will stand up at the end and applaud. Here and there, hands are

extended for shaking, and they say they want me to come again, that they want more time to discuss it with me. They understand perfectly.

Tahara: The people understand. Do you think the LDP is self-seeking and arrogant in saying the people will not understand and it's better not to let them know?

Hata: Rather than arrogance, it is cowardice. Because they run away, and they try to deceive, it is believed that we are ashamed about something. The "fighting LDP" of which I speak, I repeat, is to explain precisely without running away. If we ourselves are to promote policies, we must confront criticism and plan how to meet it. The people will understand because they have a broader field of vision than we do. More than that, if we don't do it, the LDP has no future.

Tahara: Finally, if the LDP should lose the majority in this general election, will you hand over power to a minority party? Or will you strive hard to incorporate the DSP and Clean Government Party?

Hata: Since we think of winning when we face an election and put all our effort into winning, we don't think about we will do if we lose and I don't think we should think about it. We should put everything into winning. That is what we should do.

#### **Koichi Kato: Healthy Revival of Faction Contention**

Kato is from the Yamagata Second Electoral District, born in 1939, graduated from Tokyo University, affiliated with Ministry of Agriculture, Forestry and Fisheries, and Japan Defense Agency.

Koichi Kato (Miyazawa Faction), 50, elected six times, was quickly named the prince of the Miyazawa faction and though a dove faction advocate, he performed faultlessly as director general of the Japan Defense Agency. He was damaged in the Recruit incident, but it is said the fair prince has become vigorous and hardy, bearing his wounds well.

Tahara: Frankly speaking, the creation of a Kaifu administration is unclear and many people cannot accept it.

Kato: Yes. It was a situation where the leaders who really had true power in the Recruit incident did not come forward and the early resignation of the Uno administration was unavoidable, but the younger generation of the future still did not have enough power. To try to put it in words, viewed by the people it is unsatisfactory and there is some sense of irregularity because it is a young regime created by borrowing the power of the elders. In a sense, this was unavoidable. Clearly speaking, the people with inherent power did not resign, abandoning their power or desires, and they have the desire to act once the general election is over. In that sense, it is because there is a very incomplete change of generations.

Tahara: By an incomplete change of generations, does that mean that next there will be a return back to an old age regime?

Kato: Yes. That is it.... After the next general election, the people with real inherent power will appear. In other words, there probably will be a swing back. However, it will be for a very short time and sooner or later the younger generation will appear. It is a preview....

Tahara: It's a preview. Does that mean that the Kaifu administration is still not a main feature?

Kato: Unfortunately...it is the preview of a future younger generation administration. Therefore, there probably will be some changes in the lineup of personnel and policies are somewhat uncertain. That is because it was only a scant week before that Kaifu felt he wanted to be prime minister.

Tahara: However, the LDP was just covering their eyes in confusion, and then there was the overwhelming defeat in the House of Councillors election. What do you see as the cause? Why did it turn out this way?

Kato: I believe that what Ryutaro Hashimoto said on the day of the defeat in the House of Councillors election was indeed accurate. The voters did not listen fully and openheartedly to what the LDP dietmen said on the consumption tax and agricultural administration issues and did not trust anything they said.

Tahara: That is true. Nevertheless, why do you think the people did not trust what the LDP politicians said?

Kato: LDP politicians are characterized by not being able to say anything clearly. For example, if they introduce the consumption tax, they say, "Does this face look like a face which would introduce a large indirect tax?" If Recruit money was used for political funds, they used evasive ploys such as it was a private economic activity when they should have discussed head-on the issue of money and politics.

Tahara: If your private secretary did it, or your wife or son?

Kato: That problem is deeply rooted and if I were to try to verbalize it, I would say that LDP politics has, since its beginning, come to be seen as the politics of "order-taking." We have built roads and bridges, lured business.... Sometime ago, however, we had to adopt an austere financial policy, but we have persevered, and the time has come when we must have the strength to persuade the people and obtain the consent of everyone to bear a share of the burden, and we will not lose votes by it. Of course, we have been persistent and that is understood, but when it becomes too painful, we end up trying to escape, saying I stood firm myself, the blame is with the Ministry of Agriculture, Forestry and Fisheries. This involved the liberalization of farm products. Or we blame the Ministry of Finance.

The problem is this point. The current confusion in the LDP is often said to be its plutocratic nature or faction abuses but in reality, the power to persuade the people and bring them along is lacking in LDP politics. I believe that weak point has erupted all at once.

#### "Main Stream Faction Periphery" Intolerable

Tahara: Can you say that it has to become a plutocracy because the power to persuade and obtain the consent of the people is not in your nature?

Kato: To speak more fundamentally on that point, the LDP is persisting with the ideology of a liberal economy or liberal political system, but really we have no courage or nerve to assert it strongly.

That is to say, the people who supported conservative politics and a liberal economics system after the war had all read Marx and Lenin in their schooldays when they were young and, without fully digesting them, they found practical employment or entered government service and have somewhat of a guilty conscience.

Tahara: Is it a left-wing complex? Therefore, they don't want to debate honestly?

Kato: In reality, we ourselves do not understand the logic of the mechanizations of what we are doing, but we believe it is good for the development of Japan. Theoretically, therefore, we cannot speak about it with a precise logic. But we know it has come to pass, as a matter of fact, that Japan, society, and your lives have turned out well, haven't they? So your son finds employment and, of course, builds bridges and roads.... This is exactly what we are working for. In short, it is the politics of order-taking and we have created an environment where policy can not be properly disputed.

Tahara: Can that environment be changed? If it can't be changed, is there no future for the LDP? Are you just steadily sinking?

Kato: There is a chance in this Diet. That is because the minority parties who are advocating abolition of the consumption tax must naturally make a substitute proposal and this time it will be the LDP's turn to ask questions. The JSP can't "sleep" this time either. The LDP will question them thoroughly. We will attack repeatedly.

So when it becomes clear that the minority parties do not answer clearly and have no exact substitute policy, for the first time we can ask the people head-on, "What we said was not deception or lies. Please judge which is correct or honest." I believe the people will listen sincerely. In that sense, though ironic, it is turning into an interesting development due to our defeat in the House of Councillors election.

Tahara: But the Miyazawa faction supported Yoshiro Hayashi this time and has become a non-mainstream faction. It is removed from both the three key and seven key roles. Frankly, aren't you being treated coldly?

Kato: So far there has been stagnation within our faction. That is to say, we have been in one mainstream faction corner of the general mainstream faction system but in reality we exist on the "mainstream faction periphery...."

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Tahara: Or rather has the mainstream faction scattered?

Kato: That is an exaggeration, but we are the No 4 mainstream faction. Rather, we have become a non-mainstream faction and if we cannot open up an air hole in what feels like a blockage that the people embrace in Japanese politics, it will become intolerable for our thick-headed people in Nagata-cho (location of Diet). That's true. Since it will become stuffy if we can't open up an air hole, the distrust and the dissatisfaction of the people will become more intense.

Then Kato emphasized that "newspapers all write like a sutra that factional politics is not good, but that is a big lie."

Kato: If it happened that there could be no factions and the 400 or so Diet members acted without anyone losing his composure, it would be a frightening society. It is not factions that should not exist, but the general mainstream faction system is no good. Factions fight and contend with each other spiritedly within the LDP. This is healthy and from the view of the people, it becomes clear and easily understandable politics.

Tahara: But if the LDP loses a majority in the next general election, will the LDP earnestly incorporate other parties to hold on to power or go out of power? Which do you think?

Kato: If we lose the majority, I believe we should try to create an administration in a minority party.

Tahara: At that time, if the minority party strives to break up and incorporate the Miyazawa faction, would you agree?

Kato: I would not agree. I would exercise all my power in planning for the LDP to come back to power.

#### Yoshiro Mori: No Repetition of House of Councillors Election

Mori is from the Ishikawa First Electoral District, born in 1937, graduate of Waseda University, affiliated with Ministry of Education and Ministry of Posts and Telecommunications.

Yoshiro Mori (Abe Faction), 52, elected seven times, is the secretary general of the Abe Faction, and a fierce struggle is developing between him and Hiroshi Mitsuoka surrounding the post-Abe era. It is said that Mori played the role of "stagehand" with Ozawa of the Takeshita faction in creating the Kaifu administration.

Tahara: I would venture to ask you, who worked to stage the Kaifu administration, why was it Kaifu and not Hashimoto despite the fact that there were calls for Hashimoto both inside and outside the LDP?

Mori: I have no particular feelings about Hashimoto as an individual but when he became secretary general, he was rather easygoing.... No, it was before that. The acting secretary general was chosen with the concurrence of the

party president and by chance, due to the factional situation, it became Hashimoto. It was rather an easy choice.

However, the Takashita cabinet collapsed, Abe went into the hospital, and at any rate, there had to be some stopgap administration. The Uno cabinet was created and the acting officers were kept as acting officers. It was that way for Kiyoshi Mizuno, Keijiro Murata, and for Hashimoto. This was very convenient and by chance the person who was in the role as representative and liaison became the acting officer by an unexpected accident. So the mass media began to squawk fervently about whether he really had the talent to become prime minister or whether he was fitted to be a leader of the LDP. This was a completely separate issue from his lightweight personality.

Tahara: But, the LDP, to all appearances, is in tragic confusion and chaos. What is the greatest cause of this? How do you see it?

Mori: The LDP has sweated and put various efforts into the regime's subcontracted duties and thankless tasks, but the people do not understand this at all. The people consider only what they see on television and the front page of newspapers, the wise are considered dumb and the dumb considered wise.

As opposed to that, the LDP method...has been to lay the groundwork by approaching local leaders for local issues and business leaders for business, settling matters by that way. We have persisted in this for the sake of the people. However, nothing in detail is said about this. It has become a time, however, when everyone is terribly opinionated and clearly expresses his own mind and the flaw of that approach...is that it has invited alienation between the people and the LDP when talks and appeals to each and everyone has been omitted.

Look at Doi, on the other hand. She has little substance but she is bathed very much in the footlights by television and the newspapers and if some mood is created, everyone flocks to it. What is the JSP? What and how do they do things in the JSP? Nobody knows very much about such things. Nevertheless, they have gotten the fever.

Tahara: If you are saying that the mass media dances to popularity and the people are stupid, I believe you are wrong. If you believe that, the LDP would only fall....

Mori: No, I am not saying such a thing. The difficulty...of directly saying and explaining to each and every one...that it is because we have sweated in the performance of thankless tasks and that we are confident about the results because we have done it ourselves is overlooked. Therefore, it has ended up to the advantage of the JSP and the popularity of Doi. In that sense, you can probably say that a gap has been created with the flow of the times.



Tahara: Formerly, when the Tanaka regime alienated itself from the times and tried to run wild, were you and the formerly young generation, Ichiro Nakagawa, Michio Watanabe, Masayuki Fujio, Shintaro Ishihara... stirred to create the Seirankai (Wind Blowing Through Greenery Society)?

Mori: What the Seirankai asserted at that time was all correct, but the mass media criticized us very badly.

Tahara: What you formerly tried to do is probably being done now by Shizuka Kamei and Takeo Hiranuma. Did they stick a dagger into the former lion, Yoshiro Mori?

Mori: That's somewhat wrong.

Tahara: How is it different?

Mori: That was unfortunate. Because it became a personal attack.... Even though the outcome was known, wasn't it good to support and fight for Ishihara and then Hayashi. Therefore, as it stood, we....

#### Chance for LDP To Return to Starting Point

Tahara: By "therefore," in fact, do you mean that outwardly you had a stranglehold and they decided to plot to crush Shintaro Ishihara?

Mori: No, no. In fact, to a certain extent, it was done very easily. There is no mistake about that. I am saying that it is no good to end up whittling down on purpose what you are trying to do.

Tahara: Yes, that is something the LDP does not understand very well. That should be the reason for the LDP. However, it is said that the loss of the majority in this election (House of Representatives) is inevitable. What should you do to win? Is there any policy?

Mori: Before the House of Representatives election, I would like to talk about the House of Councillors election. I believe we lost because we had to lose.

Tahara: What do you mean?

Mori: First of all, the selection of candidates was wrong. Up to now, there has been priority for incumbents. It is bad to say it, but the House of Councillors is in very good condition and speaking from the standpoint of a representative in the House of Representatives, it is good if there are competent people who don't get in the way. The outcome is that they join the faction but do not perform any factional activities in the electoral district. They don't say grand things such as I created this budget or I built this road.

In other words, the House of Councillors is a stock company. The LDP is the general meeting of stockholders. People are chosen who will create a good appearance and not get in each other's way. Therefore there is no connection with individuals in the electoral district. There are utterly no direct ties with the voters. People who joined the stock company in that form fell in

a tumble. They were former bureaucrats with over three terms. I have said for a long time that this selection method is no good.

Tahara: Is not the House of Representatives a stock company?

Mori: We are a private enterprise. Therefore, though we have support groups, we are hand-wrought. The foundation is formed by a direct relationship of trust between each voter and the Diet member. That is because all of us have appeared in such a form. If there is a very harsh adverse wind, I believe the votes will decrease a lot. However, I don't think there is anything we can do in spite of our various concentrated efforts. Our majority in the House of Representatives will be very tight.

Tahara: Since the House of Representatives is a private enterprise, can you protect the majority? I think that is wishful thinking but for a counterattack to regenerate from confusion, what opportunities, what means are there?

Mori: The LDP is now in an adverse situation but conversely, I believe there is a great chance. First of all, because the voters in the House of Councillors election expressed an "LDP—No," we will begin with heart-to-heart talks about whether or not we are making the best use of the strength of our hand-wrought elections and hand-wrought organizations, and make a frank inquiry into what is wrong and what is unsatisfactory. We will return to our starting point.

Then, in the issue of the tax system, we have been dragged down by Socialist and Communist tactics of rejecting deliberations and ultimately it has ended up without a satisfactory debate. However, if the JSP, which advocates abolition of the consumption tax, wins and naturally if it is abolished, what will they do for a source of revenue? They must present a substitute proposal and the LDP will move to the side asking thorough questions, the attacking side. The people also are greatly concerned about that and will be inclined to listen intently. The minority parties such as the JSP will not be able to run away this time. We will debate it precisely in front of the people and taking that opportunity, I believe it will be a splendid chance for the LDP to be able to create once more a point of contact with the people and then deepen it.

Perhaps overconfident of our past record, we have not talked and trusted that the people would understand.... It probably was pride. That is what brought about the alienation from the people. I believe it is very important to cast away our taciturn pride and debate in this Diet under the scrutiny of the people in order to rebuild new points of contact and a trusting relationship....

#### Soichiro Tahara: End of the Road for Regime Without an Ace

The four neo-new leaders all pointed out strongly, though in different words, that the cause of the confusion

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and chaos of the LDP was that the custom of not saying precisely what should be done, particularly not letting the people hear painful words, created a situation of not being able to speak and as a result, it turned into "deceptive politics."

Indeed, when the issue of liberalization of farm products or the introduction of the consumption tax and then the Recruit incident exploded, the brave neo-new leaders advocated they should aggressively clarify problem points, appeal directly to the people, and listen directly to the opinions of the people, including criticisms and censure. They were squashed in majority factions many times.

In that sense, it is by all means necessary for them to return to the starting point of democracy by directly appealing to the people and listening directly to the opinions and complaints of the people.

However, what has again been brought to mind based on these four is the position of the Kaifu administration. If this is a "preview," as Koichi Kato says, or in other words, a provisional administration, it will be difficult to obtain the support of the people and there probably will be another great election defeat.

A provisional administration means, in other words, no ace to throw in. Games in which an ace is withheld or some of one's strength is withheld do not draw spectators. If an ace does not appear from the internal disorder in such a serious pinch, the team will be forsaken by its fans.

That is the greatest problem facing a regeneration of the LDP. Based on superior managers as a source, they all point out that in a bad enterprise, the directors and administrators 1) are inward-directed, 2) concerned only with matters above (superiors), and 3) are backward-directed. These indications apply perfectly to the current LDP, but will they be able to extricate themselves from these three bad factors? We want to continue to scrutinize that.

#### \* Article Analyzes Factions, Future Developments

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[Article by Yoshihisa Inoue, MAINICHI SHIMBUN political commentator]

[Text] The Kaifu cabinet came into existence as a replacement for a Uno administration that went down after assuming responsibility for a crushing defeat, without parallel in the history of the LDP [Liberal Democratic Party], in the the House of Councillors election. A majority of reports in the mass media criticize this new cabinet as a "quasi-Takeshita administration," a "third Takeshita cabinet," or a "cabinet remote-controlled by Takeshita and Kanemaru," insinuating that the process of its inauguration was led by both the Takeshita and the Abe factions, with the old Nakasone

faction riding piggy back. These reports emphasize the character of the new cabinet as a "provisional administration" that is to bridge the period before the dissolution of the Diet and the calling of another general election. Why was Mr Kaifu, who had been a member of the smallest faction in the party, the Komoto faction, and a man who had been called "the protege" of late Prime Minister Takeo Miki, the choice? In the course of analyzing these questions, a flow of politics becomes manifest that cannot be interpreted in terms of the traditional dynamics of factionalism.

Indeed the present Kaifu cabinet is more than a product of a mere factional dynamics. Such a point of view is essential to gain perspective into the political scenery of the future. In other words, the political landscape of the LDP, dominated for over a decade by the large Tanaka-Takeshita faction, has changed and assumed a reshaped form in regard to its factions and the political climate as well.

#### Causes of the LDP's Crushing Defeat in the Election to the House of Councillors

Needless to say, the primary cause of the birth of the Kaifu administration was the LDP's defeat in the House of Councillors election, unparalleled in the party's history. Why did the LDP suffer such a crushing setback?

As is well known, the first cause was the introduction of the consumption tax. Paying a 3 percent consumption tax at the cash register each time one shops must have impressed the public with a feeling of "being taxed" that must have stimulated resentment towards the measure. At the same time, the happenstance that the introduction of the consumption tax took place before a tax reduction may also have had an adverse effect on the government and the LDP, as is whispered within the party.

However, the problem with the consumption tax lay in more than the tax itself. It cannot be denied that the enactment process itself was an important factor. While he was prime minister, Mr Yasuhiro Nakasone had declared that "no tax will be introduced that would have the effect like that of a horizontal, vertical or crosswise throw of a fishing net." Thus it was natural for the public to distrust LDP politics which, despite Mr Nakasone's words, had dared to introduce a consumption tax as soon as administrative power had changed hands. Was not the LDP's judgment perfunctory in assuming that a certain dose of untruth could pass unchallenged as long as the party enjoyed an overwhelming majority of the 300 seats in the House of Representatives?

This distrust was further amplified by the disgraceful events of the Recruit scandal. While Director of Policy Affairs Research Council Michio Watanabe and others have protested and claimed that the transaction was "a legitimate commercial act," no justification is possible for the making of easy profits through the acquisition of premarketed stocks that are not available to the general public. Despite the experience of the Lockheed scandal of 1976 which led to the arrest of a former prime

minister, the LDP's "plutocratic predisposition" has remained unchanged. It is thus natural that public mistrust of the LDP's politics has been on the increase.

The public is in no frame of mind to listen to entreating voices from the LDP to the effect, "Please try to understand the difficult situation the politicians find themselves in at present at a time when political fund-raising is subject to regulation." Neither has it helped as well that "the measures that the LDP took to mark the end of the scandal" have appeared quite lenient in the eyes of the public.

Certainly Prime Minister Takeshita has resigned and assumed responsibility while Mr Nakasone has vacated the seat of faction head and left the faction as well. In addition it was decided that those Diet members who had been shown to be connected to the Recruit scandal would be barred from occupying public office for a certain period of time. However, an explicit definition of the length of time in question has been lacking, although it is generally understood to refer to that period of time after the inauguration of the new Diet that will come into being after the dissolution of the present one and a general election. This characteristic LDP vagueness may also have contributed to political mistrust of the LDP.

"A three compass point set of adverse winds" for the LDP consists of the consumption tax, the Recruit scandal, and agricultural policy, "plus one," womanizing. The agricultural sector has obviously forsaken the LDP given its pressure for the liberalization of imports of agricultural products. The "woman problem" has also had great influence, assisted by the fact that the government and the LDP have not made any attempt to refute it. Women's votes must have flowed out of the LDP especially since the opposition is led by JSP [Japan Socialist Party] Committee Chairperson Takako Doi.

There also has been another important factor. It must be pointed out that a fundamental mistake has been committed by the LDP; it is not certain what the reason for this mistake is, whether it stems from an "arrogance" that follows from being in power for many years or from a dulled sensitivity.

The LDP has not been able to accommodate to changes in the times or in public consciousness; or rather, it has acted as if to slight or ignore them.

This failure may be illustrated by the words often uttered by government and LDP leaders in the course of the election to the House of Councillors: "The choice is liberalism or socialism."

These words might have had some limited effect as evidenced by the marked retrogression in the strength of the JCP [Japan Communist Party], whether under the influence or not of the Tiananmen incident. However, the LDP should have known how anachronistic these words are in the view of the various strata of the public who understand the present world situation to some extent.

They were tantamount to declaring that "the LDP's politics since the conservative coalition of 1955 has been correct; it has generally not been in error despite occasional minor mistakes. It's for this reason that we enjoy today's prosperity. If the LDP were to lose the election, there would be pandemonium just as there is with our neighbor, China. Therefore, do continue to vote for the LDP regardless of the Recruit or womanizing scandals. That is the right decision."

Will such logic pass? It is doubtful whether the LDP has given serious thought to the question. The majority of the public know why General Secretary Gorbachev of the Soviet Union is struggling desperately with his perestroika. With the exception of China and a few other states, the socialist countries today are trying for economic reasons to emulate liberalism. Ours is an era wherein the battle of ideologies has come to an end.

The JSP itself knows that it could not move the government into a socialist system even if administrative power were to fall into its hands. Given the present situation, a slogan of "socialism or liberalism" would not be convincing especially with urban voters. Such an anachronistic line of thought is associated with the LDP's ancien regime.

The impasse is nothing but punishment for having been comfortably ensconced in long-term administrative power while remaining insensitive to the changing times, the trends in public consciousness, and the flow of events in the world, and presuming upon the goodwill of the people, yet feeling free to trifle with them. Such sentiment was the culprit for the rise of the Nagatacho logic which has put such distance between politics and the people.

Nevertheless, many LDP Diet members continue to fail to be aware of the state of affairs. Rather, there may be fear of coming to grips with the real face of change. The following are some attempts to analyze the situation, considerations through which the present drama of political change might more or less be elucidated.

#### **Why Did the Takeshita Faction Give Up on Backing a Candidate of Its Own?**

Within the Takeshita faction, the largest one in the LDP, three names came up in the course of the Kaifu support drama, that of former Deputy Prime Minister Shin Kanemaru, Minister of Finance Ryutaro Hashimoto (exsecretary general), and former Minister of Agriculture Tsutomu Hada. Ultimately, however, the faction gave up any idea of proffering a factional candidate. Why was this so?

One reason was the "Ichi-Ryu war" which has been widely discussed in the mass media. No doubt there existed competition between Minister of Finance Ryutaro Hashimoto and Secretary General Ichiro Ozawa as to who would succeed Takeshita in the faction. Responding to a "Hashi/Ryu call" from local branches, a move to "back Hashimoto" arose from among the



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younger members of the Takeshita faction. However at a meeting of the highest factional leaders, including Mr Takeshita, held at Mr Kanemaru's residence on 30 July, a decision "not to back Hashimoto" was confirmed. The final decision was made by Mr Kanemaru. Two reasons behind it were the "woman problem" and the claim that "Hashimoto has too many enemies."

Putting aside the woman problem, what makes one feel uneasy is the expression "Hashimoto has too many enemies." Who are those enemies? Mr Hashimoto wound his way round the whole country as secretary general to substitute for then Prime Minister Uno, who really was unable to move about because of his own sex scandal. Despite the crushing defeat in the election to the House of Councillors, Mr Hashimoto won esteem for his activities as a person who made a contribution to the party. The result was the "call for Hashi" from local organizations.

Under the Takeshita administration Mr Hashimoto certainly clashed at every turn with former Director of the Policy Affairs Research Council Michio Watanabe. If there existed other enemies as well, they reside only in the Takeshita faction. Mr Hashimoto is 52 years old while Mr Ozawa is 47. Mr Hashimoto has been elected 9 times, and Mr Ozawa, 7. In our opinion, 5 years age difference appears to be ideal for a handing over of the baton.

Mr Ozawa was reported to have heard of the decision of 30 July at the Kanemaru residence, and grumbled "why does it have to be me to play this unpleasant role?"

Properly speaking, either Mr Kanemaru or Mr Takeshita should have been the ones to convey the message in person. To hazard an opinion, it could have been the intent of Messrs Kanemaru and Takeshita to force Mr Ozawa to assume the role. A kind interpretation would be to the effect that: "Settle the matter between you two who are next in line to be in charge of the Takeshita faction. The times for the oldsters are over." Another interpretation could be that the occasion was a formal demonstration of the fact that "Hashimoto swims in a tributary; Ozawa is the mainstream successor."

Mr Hashimoto's own interpretation has tended to the latter. Sparks appeared to have flown at the meeting between Hashimoto and Ozawa on 31 July. Mr Hashimoto happens to be a passionate person. While managing to avoid an emotional explosion, his subsequent behavior reveals dissatisfaction with the fact that his own future prospects had been determined at a "trial in absentia" in which Mr Ozawa, his junior in terms both of age and number of times elected, was dispatched as the messenger.

Mr Hashimoto's close relationship with the director of the Political Reform Promotion Headquarters, Masayoshi Ito, as well as with its acting director, Masaharu Gotoda, both promoters of political reform, seems to have been a cause for ill feelings on the part of Messrs Kanemaru and Takeshita. As has repeatedly been noted,

Mr Kanemaru especially favors the continuation of factions. Mr Kanemaru has emphasized the benefits of factions while being fully aware of the antagonism of Mr Ito and others who advocate their dissolution. Does Mr Takeshita, who acquired the power to lead an administration with the backing of the largest faction, share the sentiments of Mr Kanemaru, even though he has not been open about it?

This speculation stems from the fact that Mr Takeshita has not become an LDP elder statesman, a position which is usually assumed by those who have served as prime minister, on the grounds that he "has caused trouble for the party." Another reason he has not become an elder statesman could be self-discipline since he is a Diet member who was involved in the Recruit scandal. In addition, Mr Takeshita has been openly making "contributions to the faction," even though he has not officially returned to it.

In particular, there is no mistaking the fact that Mr Takeshita is the substantial power in the faction, even though he has no formal relations with it. Mr Kanemaru often deplores this, saying that "I am a hired madam." The truth, however, appears to amount to even less than what he claims.

For these two who once again aspire to wield influence in the world of politics by way of the route of factional power, Mr Hashimoto would by no means be a convenient person to have as prime minister, given his close association with Messrs Ito and Gotoda who appear to be promoting reforms in the LDP that would include the dissolution of factions. Of course Mr Hashimoto has been well treated, as it is, having been given the important post of minister of finance. However he appears to be prepared for the eventuality that he might come to a final parting of the ways with Messrs Takeshita and Hashimoto.

These phenomena typify the present state of the LDP. Over the past decade and half the logic has been that "the numbers are the power" and this has been the propelling force behind LDP politics. As factional dynamics have been the deciding factor for everything, efforts to formulate policy and to gain the public's trust have been neglected. This attitude of the LDP crystallized into the introduction of the consumption tax and led to its defeat in the election to the House of Councillors. Because of this past history, a new form of politics, free from factional dynamics, is being sought, and there are signs of such developments within the LDP as well.

Mr Hashimoto avoided pushing his candidacy and thereby splitting the faction. It is not known, of course, if Mr Hashimoto thought that it was not yet time to make his move. It is an undeniable fact, however, that a shadow has been cast over a Tanaka/Takeshita faction that has controlled Nagatacho with an "iron hand." Although a crisis was avoided this time, so long as the faction holds a time bomb, namely Mr Hashimoto, there will always be the danger of a split.

Will not a faction that has grown to an unprecedentedly large size begin to crumble under its own weight? I cannot help feeling that this phenomenon appears to be correlated with a self-destruction of the LDP itself.

My feeling is that if the Takeshita faction does not break up, the LDP itself will fall apart and that, therefore, to keep the LDP together, the Takeshita faction must be split up.

Returning to the discussion, the judgment behind the decision by the Takeshita faction not to support its own candidate must have been based on consideration of public opinion as well as antagonism within the party: If the Takeshita faction once again held power following a Uno administration which Mr Takeshita had in effect designated to succeed his own, victory in the coming election to the House of Representatives would be uncertain. Of course, if Mr Hashimoto were to have been the candidate, reaction to a factional candidate would not have been so violent. Intrafactional circumstances thus prevented Mr Hashimoto's candidacy.

In other words, even the Takeshita faction has found itself in a situation where it could not afford to ignore public opinion. At the same time, if it is to retain factional influence within the party, the faction cannot run its own candidate.

#### What Are the Advantages of a Faction?

The belief that factions are beneficial to a party is deeply rooted within the party, one person who believes this is Mr Kanemaru. It cannot be denied that the presence of factions does energize politics. While this may be a cliché, the only option may be to attempt to remove their negative aspects.

Speaking of the energizing effects of factions, Hiroikekai (the Miyazawa faction) persisted in backing Mr Hashimoto for the LDP presidential election. While Hiroikekai was forced to abandon this position, it still dared to challenge the dominant group, backing Yoshiro Hayashi, former minister of health from the Nikaido group, although it was fully aware of a likely defeat. One reason for Hiroikekai's move must have been the wish to impress all within the party with its presence by demonstrating its will to fight and counteract the denigration that Hiroikekai was a "group of courtiers." Because of this move, selection of the party president was decided by vote, a process that definitely improved the image of the LDP. Since the president was thus not chosen in a "closed chamber" or as the outcome of "talks," the departure was definitely a plus. Another effect of the challenge and fight must have been a reinforcement of factional solidarity.

Before the party presidential election, Mr Kanemaru boasted that no vote from "Keiseikai" (the Takeshita faction) would be diverted to anyone other than Kaifu. Judging from the results, Mr Kanemaru's forecast may not have come true; 279 votes for Mr Kaifu, 120 for Mr Hayashi, and 48 for Mr Shintaro Ishihara.

It was an interesting quote from Mr Kanemaru on this result: "The distribution of votes was appropriate; it was just fine." What he probably meant was: "Mr Kaifu had to win a majority of the votes on the first ballot. However, if the victory were overwhelming, the factional pressure could be blamed. Therefore, these figures were appropriate."

As to the votes that went to Mr Hayashi, former prime minister Zenko Suzuki, who with Mr Nikaido planned to support his candidacy from early on, stated that "over 100 will be satisfactory." The expectation among the supporters of Mr Ishihara was "if we get 50...." In this sense, the results saved the "face" of everyone concerned.

Factions are said to emerge from gatherings of associates who share the same political ideals and wish to implement common policies. This might, however, be too favorable a view. We might grant that their origin lies in such gatherings, for they often bear names suggestive of policy study groups; for example, The Research Institute for Policy Science (the old Nakasone faction) or the New Policy Study Group (the Komoto faction). Despite any original intent, however, before one knew it factions degenerated into coalitions to seize power and obtain positions and money. This could have been the beginning of the "twisting of values." Although my argument may appear to be academic I suggest that factions should return to their original state.

On 17 December 1976 an election took place that split the party. It was the result of an agreement reached by the Conference to Establish Party Unity (president: Takeo Fukuda) to relieve Mr Miki. Then Prime Minister Takeo Miki, expressing his intent to resign and assuming responsibility for the defeat, publicized "my beliefs" which came to be known as the 3 proposals of Miki. In essence, they stated that "I am assume defeat in this election and I am going to resign. To eliminate causes of the defeat, the party should promote reform of the plutocratic system and eliminate factional infighting. I will be watching the directions the reforms will take."

Miki's proposals were, so to speak, his last will and testament, as well as a "letter of challenge" to show his resolve to shake up the party if it fail to implement reform.

Due to the circumstances of the power succession and respecting public opinion, Mr Fukuda, who next became prime minister, had to "humbly" accept these Miki proposals. Ahead of everyone else, the Fukuda faction declared its dissolution on 9 March, followed on 10 March by the Ohira faction's dissolution, on 16 March by that of the Tanaka faction and on 29 March of the Nakasone faction, all expressing their intent to transform themselves into policy groups.

At this time the Miki faction hoisted the banner of an "open faction" with the attendance of outsiders, including Mr Raizo Matsuno, at the faction's general meeting, and declared that it would not "not fall into

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step with the other factions' false dissolutions." However, because it considered that it would not be good public relations to remain the only faction after having proposed the modernization of the party, Mr Miki did subsequently report the dissolution of his faction to (then) Secretary General Masayoshi Ohira who visited Miki's office on 31 March to request cooperation in the reform of the party.

With this, LDP factions, that at one time were said to number 5 divisions and 3 regiments, including 3 intermediate factions led by Ishii, Mizuta, and Shiina, appeared to disappear into oblivion. Nevertheless, even as the billboards of the factions came down, their offices remained unchanged and continued their usual business of dealing with political funds. It was obvious that sooner or later the situation would revert to what it had been before.

At the time the mass media went along, dropping the name of the "xx faction," calling it instead the "yy study group"; this practice ceased before long.

As is seen in this episode, dissolution of a faction is not an easy task. The basic problem is that of political funds: Factions may disappear nominally, but not the office that handles their political funds. As expressed by the Takeshita faction, a faction head must provide for funds for his members so long he leads the faction. More precisely, factions can disappear only if they cease to supply funds for younger Diet members.

The first priority should be to make elections less expensive. If one belongs to a faction, that faction would assist the member until he becomes capable of generating his own political funds. Viewed from the reverse side, a benefit of the existing faction system is that one may attain, step by step, important party or government positions.

#### New Movements

The birth of the Uno administration was an epoch making event in the history of the LDP in that a member of the Diet who was not the head of a faction was able to assume the seat of power. While the fall of the previous administration was an unlucky event, it resulted in a turning point in Japanese political history. However, the circumstances of the new government's birth were shadowy, given that the cabinet issued from a "closed chamber" conference among the Takeshita, Abe, and the old Nakasone factions, each representing their own interests.

This time also the candidates were selected under the leadership of Mr Kanemaru, although the selection was determined by the democratic means of a secret ballot. While this procedure could be called a "crude show" or a "put-up race," I would like to regard it as "one stream in a new political current."

With the power the Takeshita faction still holds, it would have been possible to push the faction's selection

through without going to a vote. However there was present a new political current that makes the factions pay attention to the public as well as party opinion. In other words, even the Takeshita faction was not able to resist the new current.

Of course, most party members voted along factional lines in the party presidential election. The results of voting, however, indicated that factional discipline had begun to loosen. The important thing was the attainment for the first time of a presidential election in which money did not fly about to buy votes.

The usual practice in a party presidential election was for the "real ammunition" to fly left and right under the influence of "Nikka," "Suntory," and "Old Par." The absence of the practice this time indicated "great progress" in the history of the LDP. This may also be said to have been only for appearance sake, but it was evidence that the LDP, whether it likes or it not, has been cast into the dynamics of a new force.

The change may have been the result of an enhanced political awareness on the part of the public which led that public to observe political events with a critical eye. This is a welcome development, though quite an ironic one, i.e., that the Recruit scandal may have stimulated a positive interest in politics.

Three candidates who fought for the LDP presidential election repeatedly held public discussions. This was great and I really mean it. While listening to them present their views, we could feel that real progress was being made. Upon hearing each of these three in turn say that "it was very good to hold discussions," I felt they were expressing their true feelings.

Mr Ishihara bespoke out of his true personality. Mr Kaifu showed a glimpse of a new style of dialogue by choosing to use an easy to understand way of speaking. Mr Hayashi impressed many in the audience who did not know that there was such a talent in the party. Especially fresh in my memory was Mr Hayashi's comment to the effect that legislative deliberations on the floor of the Diet would best be broadcast continuously via cable TV at public cost as is the practice abroad.

#### What Will Happen From Now On?

In the midst of these moves, there took place an eye catching meeting which may figure significantly in forecasting the future.

The actual facts about the secret meeting on the night of 3 August in a restaurant in Akasaka, attended by Kaifu, Yohei Kono, and Hashimoto, are not yet clear, but appear to have been significant. The original purpose of the party was said to have been for Mrs Kono and Kaifu to honor Mr Hashimoto for his efforts as secretary general. Although Mr Kaifu was interested in the premiership, his candidacy was not yet final at this time, since Mr Komoto himself was interested in becoming a candidate.



It is reported that those in attendance agreed at this meeting that "our generation of politicians must cooperate in order to realize a new style of politics." A sort of pact was supposed to have been forged to the effect that, whoever might assume the post of prime minister/party president, all would cooperate. Viewed from the outside, this was a very interesting phenomenon. For example, how about the scenario that follows, although it is totally fictitious:

Let us suppose that the Kaifu administration opposes the Takeshita faction, which holds the office of Secretary General; the Abe faction which provides the President of the Policy Affairs Research Council Mitsuzuka, holder of one of three major LDP posts; and the ex-Nakasone faction, whose acting president is Michio Watanabe, former president of the Policy Affairs Research Council, on any topic, such as political reform or the timing of Diet dissolution/general election. Public opinion is on the side of the Kaifu administration. On such an occasion, the Miyazawa faction, to which Mr Yohei Kono belongs, decides to support the Kaifu administration. Though the Takeshita faction directs all the cabinet ministers it controls to withdraw, Minister of Finance Hashimoto makes a declaration to quit the faction (he actually is out of the faction at the present time) with the claim that "Prime Minister Kaifu is right."

Several scores of younger members of the Takeshita faction endorse Mr Hashimoto's behavior, with a resultant split in the Takeshita group. When Mr Shizuka Kamei, Mr Ishihara, who has left the Abe faction, and the Nikaido group join the breakaway group, the LDP will be completely split into 2 opposing camps. The breakaway group announces that it will part from the 3 factions that do not have the support of the public.

If this happens, it would be a de facto reorganization of the political world. Although I do not think such a scenario was a topic at the meeting, this type of fantasy whets the appetite for the new politics.

Listening to discussions inside the LDP, I sometimes am made to feel like really hitting them on the head and shouting, "What fools you are."

This is how it goes: "We cannot let Kaifu continue for 2 years. We will hold the next party presidential election in late October after the dissolution of the Diet, the general election will thereby put an end to the Kaifu administration. If Kaifu occupies the post for as long as 2 years, Michie (Michio Watanabe) as well as Abe-chan [endearing suffix] may not get their chance."

The Kaifu administration was established for the purpose of accomplishing avoiding public criticism: However it is only in preparation for the coming general election. This way of thinking is the essence of the traditional predisposition of the LDP, espoused by fools who do not understand what the results of the election to the House of Councillors have signaled.

For whom do we have politics? Is the only purpose of politics to grab power? If this is his motivation, a person should not become a member of the Diet. We should not reelect to the next Diet, to issue from the dissolution/general election, persons who do not understand that the present state of the LDP has been brought about by failure to reflect on what a politician should be. Politicians should seriously rethink politics.

#### Unrepentant Politicians as Seen With Reference to the Case of Chief Cabinet Secretary Yamashita

SHUKAN SHINCHO weekly that appeared on 24 September exposed a woman-related scandal of Chief Cabinet Secretary Tokuo Yamashita. This case also revealed that this traditional predisposition is still strongly rooted among a segment of politicians. While details of the case need not be presented, it would appear to be a matter of course that Yamashita resign now that it is exposed that he handed Y3 million over, a sum large enough to be considered "hush money."

Quite a few influential politicians complacently commented to this effect: "If one has to resign over this trivial a matter, nobody can qualify as a cabinet minister; everyone is guilty." Such politicians' lack of common sense should be questioned. Human beings are not perfect and they may very well fall in love. However, payment of "hush money" should be out of the question. Besides, it is not right to try to get off scotfree, especially one who collects pornographic video tapes.

There is an expression that deems politics to require the highest ethics. A higher ethical standard is required of politicians. Once upon a time there certainly existed warriors the likes of Mr Bukichi Miki. In recent years there was such a veteran as Kazuyuki Kasuga. As far as these two are concerned there was no mention of hush money.

The political situation at present comes immediately after the blow to the LDP dealt by Mr Uno's womanizing scandal. The excuse that "it used to be permitted" no longer passes. In such a situation, how wrong to say "no need to resign over such a matter. An apology is enough."

The chief cabinet secretary is a spokesman for the cabinet, the face of the cabinet who meets the press twice daily, once in the morning and again in the afternoon. What can the government and the LDP do if the people are reminded of such an incident each time these meetings are reported by the media?

The topic of conversation at present is Miyazaki, a serial murderer of little girls. This criminal is reported to have loved horror video tapes; among the tapes he videoed were nude bodies of little girls. And the chief cabinet secretary also collects pornographic videos! As it is, resignation is a must. In the midst of the special session of the Diet, the prime minister cannot help mentioning distortions in education that have produced such a psychopath in his statement of his beliefs. No matter

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how high Mr Kaifu may extol educational ideals in his speech as a two-time former minister of education, it will have no power of persuasion over the public if he spares the chief cabinet secretary, who has brought about this disgraceful affair, simply because the latter has offered an apology.

Attacks from the opposition parties are no surprise. The incident is reported as a topic which has the effect of immobilizing a prime minister whose visit to the United States is imminent. Why shouldn't Mr Yamashita resign? There are too many Diet members who tarnish the image of the prime minister due to their lack of understanding of how times have changed.

Of course it is another story if they act out of the idea that the "Kaifu administration better be half-dead: Therefore, it is better for errors to be made now."

At any rate, the LDP is at the critical moment where it can revive, or fail to do so. The outcome will depend on the extent to which those LDP members who are able to understand the currents of the time as well as the people's thoughts and are willing to respond to them can prevail. If there are too many LDP members who do not belong in this category, the party must split. This might be a good thing after all. Self-awakening on the part of politicians will be the crucial factor.

#### Editorial on Upcoming Important Voter Decision

OW1512051089 Tokyo THE JAPAN TIMES  
in English 14 Dec 89 p 20—FOR OFFICIAL USE ONLY

[Editorial: "Another Vital Decision Due"]

[Text] An opposition-proposed package of bills to scrap the 3-percent consumption tax cleared the House of Councillors this week. Although it is doomed to be automatically discarded in the House of Representatives as the current session is to end on Saturday, political significance can be read in the unprecedented fact that the Upper House has passed the opposition-sponsored major bills despite rejection by the ruling Liberal-Democratic Party (LDP).

Such an outcome of course has been predicted since the LDP lost its majority in the July 23 Upper House election. But the Upper House passage of those bills has again demonstrated to the ruling Liberal-Democrats what can result from their corruption and arrogance—the Recruit stocks-for-favor scandal and the high-handed introduction of the consumption tax. The passage has allowed the opposition parties to have a sweet taste of being the majority in a parliamentary democracy in which numerical strength counts most. It also vividly showed to many voters the real consequence of their decision at the polls.

The lessons they respectively have learned from this experience will greatly affect the short-term development

of the nation's politics, especially a Lower House elections expected early next year. The LDP has failed in its attempts both to prevent the Upper House passage of the opposition bills and to inflict a fatal blow upon the opposition by finding fault with the opposition bills and by exposing the Japan Socialist Party's (JSP) alleged involvement in the so-called "pachinko affair." The latter attempt served only to reveal that the LDP is even dirtier.

At the same time, however, it is doubtful that the JSP and its opposition allies have gained any greater public confidence in their ability as a possible governing coalition than at the time of the July polls. Their tax plan to replace the consumption tax is a sort of makeshift which does not ensure the stable fiscal foundations of our aging society.

In a separate but closely related move, the LDP has prepared bills also for a makeshift revision of the consumption tax, which will be submitted to the next ordinary session of the Diet, probably only to be rejected by the opposition-dominated Upper House. Without a significant change in the parliamentary balance of power, therefore, the possibility is great that the Japanese taxpayers will find themselves with the same controversial tax in years to come. The voters will have to make another vital decision in the coming election.

#### Editorial Views Takeshita's Coalition Concept

OW1712005989 Tokyo THE DAILY YOMIURI  
in English 15 Dec 89 p 6—FOR OFFICIAL USE ONLY

[YOMIURI SHIMBUN 14 December editorial: "New Coalition Concept"]

[Text] The concept of "partial coalition" to properly manage diet business and marshal enough votes to pass legislation has surfaced as the dissolution of the House of Representatives and a subsequent general election nears.

The idea was proposed by former Prime Minister Noboru Takeshita. He explained that a partial coalition would be formed on specific policies and legislation and that this was needed for political stability.

This takes into consideration the fact that with the opposition in control of the House of Councillors, some kind of coalition based on agreement on specific policies will be inevitable in the 1990's. Therefore, the concept is worth serious consideration by both the ruling and opposition parties.

The extraordinary Diet session ends this week with no effective action taken on opposition-sponsored bills to abolish the consumption tax in the Lower House. If the Liberal Democratic Party (LDP) had introduced legislation to revise the consumption tax, it would have been rejected by the opposition dominated Upper House.

**Danger of Stalemate**

With the LDP in control of the Lower House and the opposition controlling the Upper House, no bills can be passed without an agreement between the LDP and the opposition parties. The LDP can, of course, pass the budget because the Constitution gives the Lower House this power, even though the Upper House can delay the process.

With Japanese society aging and becoming internationalized, the nation needs to carry out structural reforms no matter how painful they may be. If the Diet fails to turn specific policies into legislation, Japan will be driven into international isolation.

What Takeshita himself has in mind is to pass bills related to the next year's budget by forming cooperative relationships, outside of the Cabinet, with the moderate Komeito and Democratic Socialist Party [DSP] on certain policy issues. Both parties now reject the proposal since a general election is in the offing.

However, it is absurd for the two parties to dismiss a concept of partial coalition that is not aimed at helping the LDP but needed to prevent a stalemate in the Diet.

**Choosing Partners**

The policies of Komeito and the DSP are closer to those of the LDP than the policies of the Japan Socialist Party [JSP] on such basic questions as diplomacy and defense. Therefore, it would be only natural for the LDP to seek their cooperation.

However, the JSP is working hard to change its policies to be more in line with political realities. The shift in policies became apparent in the current diet session. The JSP switched from opposing to supporting a bill to amend the Tax Allocation to Local Governments Law. It also made another policy reversal on the government's proposal to raise national pension premiums.

If the opposition parties take fair and just positions on policy coordination, instead of continuing to confront the LDP, it will be possible for the ruling party to choose coalition partners without designating specific parties.

But to successfully implement the concept of partial coalition, the LDP must first carry out political reform and keep its politics clean and reasonable.

**\* Kanemaru Recovers From Takeshita Fiasco**

WA1512030889 Tokyo SHUKAN JIJI in Japanese  
16 Dec 89 pp 34-35—FOR OFFICIAL USE ONLY

[Article by Ichiro Nagata in the "Inside Political World" feature: "'Tough Monk of the Political World' Flaunts His Power"]

[Text] Shin Kanemaru, the tough politician who has remained silent for a while, has resumed his activities. He has started giving speeches nationwide, and has made statements on the Diet dissolution and the consumption

tax to show he is still in charge. He is in fact assuming leadership of the Takeshita faction. Influential Liberal Democratic Party [LDP] members, as well as opposition party members, once again are "paying homage to Kanemaru."

Kanemaru, who is nicknamed "Shingen of the Showa Era" [Shingen Takeda was a famous warlord of the Warring States period], has played key roles in various political situations. He believes that "compromise is the essence of politics." He has led his party in negotiating, and is trusted by opposition party members through effective channels he has built.

However, even Kanemaru started losing influence when the Takeshita administration failed. He stepped off the political center stage to show his "repentance" for being "responsible for the formation of the Takeshita cabinet."

When Takeshita left his faction with the consent of the LDP, Kanemaru took over leadership of the Takeshita faction. However, Kanemaru gave vent to his dissatisfaction: "Although I am chairman of the Keiseikai (the Takeshita faction) I am just like a hired 'madame.' I need Takeshita to return to the faction soon."

But because Takeshita was criticized for devising a "cloistered government" ["Takeshita insei"] when the Uno administration was created, Kanemaru's close aides advised him that "it is better to remain silent." Their different views on faction management, together with the fact that "Takeshita did not consult Kanemaru" on Uno's appointment (according to a Takeshita faction core member), created hard feelings between Takeshita and Kanemaru.

**Are Relations With Takeshita a "Family Separation"?**

Although a complete break between Takeshita and Kanemaru was avoided due to mediatory efforts by mutual friends in financial circles, their relationship is "still awkward" (according to a young Takeshita faction member). A leading Takeshita faction member explained: "Their relationship is rather like a 'family separation.' They will not divorce because of the children (faction members). It may be difficult for them to reconcile, though."

As the relationship with Takeshita has increasingly cooled, Kanemaru conversely has regained vitality. He started to show a willingness to try again. He seems to be thinking: "We cannot let Takeshita take charge. Things went wrong because we listened to him. He is responsible for the LDP's present crisis. If he doesn't want to return to his faction, he should remain silent."

Kanemaru has always led the party consensus. From early on, he has been calling for a drastic review of the consumption tax, saying: "The consumption tax should exempt all foods, school supplies, medical supplies, and childbirth expenses. It won't work unless we go for a large-scale cut of about 1 trillion yen."



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Kanemaru is reported to have summoned and scolded Finance Ministry officials who were negative about a drastic reform. Kanemaru said: "We will definitely fail in the general election unless we call for a drastic tax reform. If the opposition wins, the consumption tax will be abolished. Which is more important, to guard the consumption tax or to preserve a free society?"

Regarding the crucial timing of lower house dissolution and the general election, Kanemaru, who is working behind the scenes, is maintaining close contact with Secretary-General Ichiro Ozawa and Shintaro Abe.

In Tottori City, where Kanemaru began his nationwide speechmaking, he predicted the timing of the lower house dissolution to be "in late January, at the outset of a resumed ordinary Diet session." It seems certain that both Kanemaru and Abe previously agreed on this timing.

It is safe to say that Kanemaru, who uses the Abe-Takeshita alliance as his base, is taking the leadership initiative in this political situation.

However, Takeshita still talks about possible early dissolution "before the end of the year." He says: "The timing will be more difficult if we wait until next year. A year-end dissolution will still allow the prime minister to go abroad in January. A year-end dissolution may still occur."

#### Increased Confidence as Kanemaru Works in Closer Cooperation With Ozawa

Kanemaru brushes aside talk of a year-end dissolution, saying: "We cannot be optimistic even though support for the Kaifu cabinet and the LDP has increased. We have to watch closely the citizens' reaction to the consumption reform bill. Moreover, if we have to work on next year's budget before the end of the year, Diet dissolution within this year is impossible." He also says confidently: "If the Diet is dissolved by the end of the year, I will admit that I have made a mistake. But if it is dissolved in late January, then it will be Takeshita's mistake."

One reason Kanemaru is so confident in his political prediction is because he maintains close contact with Ichiro Ozawa. According to a leading member of the Takeshita faction, "Ozawa's political tactics are more like Kanemaru's than Takeshita's. He seems to consult with Kanemaru more than with Takeshita." It is a fact that Ozawa has shifted his attention to Kanemaru.

A Takeshita faction core member analyzes: "Takeshita's style of 'wait and see politics' no longer works in the confused world of the LDP's political collapse. Perhaps a combined Kanemaru-Ozawa toughness may overcome this turbulent political situation."

The political world is sensitive to this sort of power relationship. Takeshita has lost considerable influence even within his faction. However, Takeshita is still the head of his faction in financial matters, and contributes

450 million yen from his own political funds to faction management funds. Besides, Takeshita will shoulder two-thirds of the total election campaign funds of 2 billion yen.

On the other hand, Kanemaru is increasing his share of financial responsibility. A comment was made by a core faction member: "Financially, Kanemaru probably helps more faction members than Takeshita. The ratio is about 60-40." This supports evidence that there is a power struggle going on within the faction.

Following Tottori, Kanemaru plans to make speeches in Nagano, Kyoto, Oita, Toyama, and other cities to support the election campaigns of Takeshita faction members. His vigor may enable him to replace Takeshita as "leader" both in name and reality.

Not only LDP members but also Japan Socialist Party and Komeito [Clean Government Party] members have visited Kanemaru to "sound him out on the timing of Diet dissolution." It looks as though the "Kanemaru myth" has been completely revived.

#### Japan Socialist Party To Resume Ties With CPC

OW1512005389 Tokyo JIJI in English 1433 GMT  
14 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 14 (JIJI PRESS)—The Japan Socialist Party (JSP) Thursday decided to resume exchange with the Chinese Communist Party, suspended in the wake of the Tiananmen Square massacre in early June. The decision will be announced by General Secretary Tsuruo Yamaguchi Friday. The JSP is studying sending a delegation led by Yamaguchi to Beijing after a general election expected to take place in February.

The party froze exchange between the two parties June 23 in protest against China's clampdown on democratic movements, canceling Yamaguchi's visit to that country planned for summer. The socialists decided to resume exchange apparently as a result of U.S. National Security Adviser Brent Scowcroft's recent visit to Beijing, which is certain to lead to improvement in Sino-American relations strained by the June 4 incident.

#### Name Issue for Socialist Party Discussed

OW1712030289 Tokyo ASAHI EVENING NEWS  
in English 15 Dec 89 p 3—FOR OFFICIAL USE  
ONLY

[ASAHI SHIMBUN 14 December editorial: "Playing the New Name Game"]

[Text] Makoto Tanabe, a former secretary general of the Japan Socialist Party (JSP), has suggested it is high time the No. 1 opposition party weighed the merits of changing its name to, perhaps, the Social Democratic Party.

This question is common to all leftist forces around the world, and what he has suggested has in itself something

profound that can hardly be brushed aside simply because it was suggested partly in jest at a factional get-together he was attending.

Why Tanabe had to go to the trouble of suggesting a new party name is not necessarily clear. But what has yet to be known is whether his intention was to plead for the JSP's solidarity with the Democratic Socialist Party and the United Social Democratic Party or to make a powerful appeal for a greater need for changes in the JSP's policy line. But there is no doubt that his suggestion has been motivated by reforms in the global socialist camp.

Already, the Hungarian Socialist Workers Party has renamed itself the Socialist Party and the Polish United Workers Party and East Germany's Socialist Unity Party are also contemplating name changes. In either case, the essential design seems to be to make clear a shift in the policy line from the dictatorial one-party Soviet type of socialism to social democracy.

Developments in Eastern Europe have jolted leftists in the West. The party of ~~Proletarian Unity~~ for Communism (PDUP) in Italy, for one, approved at its Central Committee meeting in November a proposal from its leader that included a suggestion for a new party name. The proposal is to be discussed at an extraordinary party congress in May.

All those moves suggest that Soviet President Mikhail Gorbachev's perestroika, or restructuring and reform, has started a domino effect around the world. It is stirring Communist parties into renaming themselves socialist or social Democratic parties.

The advisability of changing its name was an issue even at the Japan Communist Party immediately after the ~~former~~ House elections had been held this summer. Aware that it had suffered the ripple effects from the crackdown by Chinese Communist Party leaders in Tiananmen Square in Beijing in early June, it was suggested that the Japanese party's name be changed. But reportedly no further debate occurred after Japanese party Chairman Tetsuzo Fuwa retorted that the name Communist Party "represents the theory and movement of scientific socialism."

For any party, to be sure, its name is inseparably tied with its values, tradition and character. The JSP's appellation in which the word "socialist" is embedded has been a symbol of the movement to fight against evils of capitalism, reform society and liberate society. It has also exemplified succession to the pedigree of the socialist movement that has unfolded since before World War II and reflected a self-conceit that it has continued to serve as the driving force for the peace movement since the war's end.

No wonder that there arise backlashes against Tanabe's suggestion. But in there, against the backdrop of the domino effect for socialism, lies the fact that the development of the Japanese and other Western economies and the East's economic and social backwardness have

come to light due to an ongoing worldwide electronic integration of information. This development cannot be ignored.

Long ago, socialism was portrayed as a harbinger of a system that would infallibly make its appearance in the wake of capitalism, and the word "society" did entail something of an image of progress. But capitalism later had to transform itself in the face of a challenge from socialism and what Karl Marx prophesied does not seem likely to come true.

All told, there ought to be a cardinal debate within the JSP on changing its name, if need be, in order to take another look at the way it should go in the future, while looking squarely at those changes in the socialist camp.

Noteworthy in this context is a suggestion Tanabe has made in regard to the New Declaration, which was adopted by his party three years ago and would amount to a new party platform. He declared: "Can we cope with the quick place of developments today? We must make a step forward, if not two steps."

What is required first in this scenario is to make an unbiased assessment of what social democracy ought to be. The New Declaration is characterized as having an eye on socialism of the West European version but is short of giving any clear picture on what sort of society the JSP really has in mind. Although it says it will not go in for socialism of the Soviet type. The first thing is to analyze impartially the achievements that have been made by social democratic forces in the West.

Also, the JSP ought to make clear its vision, or how it intends to change Japanese society in the 1990's. Its posture ought to pre-empt changes in society but not go in pursuit of them.

#### **\* Paper Examines JSP Energy Policy, Doi Proposal**

902B0033 Tokyo SANKEI SHIMBUN in Japanese  
27, 28 Oct 89—FOR OFFICIAL USE ONLY

[Additional articles from the Sankei series on the JSP]

[27 Oct 89 p 3]

#### **[Text] Energy Policy: A Contradiction of Logic in the Ultimate Goal**

"The introduction leaves nothing to be desired. I hope by all means that they will carry it through."

Surprisingly, this is how Tokio Kano, Tokyo Electric Power Co., Ltd. director and assistant chief of its Atomic Power Headquarters, evaluates the energy policy espoused by the Japan Socialist Party [JSP].

In its opening part, the "Doi proposal" on energy states: "An energy policy which supports economic activity will take into account safety, environmental compatibility, conservation of resources and profitability...." Kano and his associates support this because the points of environment, profitability, etc., are "points that private-sector

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power companies, too, are aiming at," and even in the present situation the question of how to go on providing high-quality energy cheaply and safely, while attempting to preserve the environment, has become a major task.

But when it comes to a discussion of details for implementing these points, the wind direction suddenly begins to change.

And when it comes to the ultimate objective of JSP energy policy, "aiming at a Japan without atomic power generation," Kano and his associates are strongly critical, saying "there is a big contradiction of logic."

Take, for example, "compatibility of environmental preservation and economic growth," which became an important theme even at the July Arche summit (summit conference of advanced nations). China and India, which account for roughly 30 percent of the world's population, use as energy, in a conversion to oil, 494 kiloliters per year for China and 190 kiloliters for India (both of which are 1986 actual results per capita). What would happen if, because of economic development, this volume of consumption rose to 1,137 kiloliters per capita, the same as that in the Republic of Korea? It is a calculation in which, using the conversion to oil, securing new energy resources exceeding 1 billion tons per year would be required. This scale surpasses the volume of energy currently consumed annually in America.

It is uncertain whether it would be possible to go on covering this great a volume by new types of energy, such as sunlight, which is a part of the "Doi proposal," and even by conventional types of energy, other than atomic power, such as oil, coal and hydropower.

The same can also be said of the debate on reducing or abolishing atomic power generation. When converted to oil, Japan's atomic power plants are bearing the burden of generating power equivalent to a daily volume of 900,000 barrels. If this were replaced by petrothermal power, Japan would not have enough unless it increased the volume of imported oil by approximately 30 percent, to a level of 4.2 million barrels per day. It is obvious that if that happened, world supply and demand would tighten up at one stroke, and oil prices would again rise suddenly as at the time of the oil shocks that occurred in 1973 and again in 1979.

Development of such new energy as sunlight will also be very hard to manage.

Speaking in terms of current technology, solar generation of power is certainly clean and pollution-free. But it does not operate at night or on rainy days, when there is no sunlight. It is the same logic by which a solar-powered electronic calculator does not operate in the dark. Because of this, the average operating rate for sunlight is said to be "about 15 percent at most" (Federation of Electric Power Companies), and as a result, the cost of generating electricity has reached as much as Y200 to Y300 per kilowatt hour. The cost of petrothermal power

is Y10 to Y11 per kilowatt hour, and that of atomic power generation of electricity is approximately Y9 per kilowatt hour.

The portion of Japanese household budgets occupied by expenditure for heat and light is Y161,043 per year, 4.78 percent (1987 actual results). If electricity fees rise, household budgets will naturally be put under pressure to the extent by which they increase.

The JSP's Katsusuke Ozawa emphasizes that "it may be called paradoxical, but an increase in the price of energy will result in energy conservation being promoted." Energy conservation will be a never-ending theme, but a policy that uses price as an accelerator for energy conservation probably puts the cart before the horse.

[Begin boxed item] Japan's Atomic Power Generation

The first generation of atomic power in Japan occurred exactly 26 years ago, on 26 October 1963, when the Japan Atomic Energy Research Institute's Japan Power Demonstration Reactor at Tokai Mura in Ibaraki Prefecture succeeded in a generating test.

At present, 37 practical power reactors are in operation, including the Hokkaido Electric Power Co., Ltd.'s Tomari reactor, the newest. Thirteen are under construction. The 26th is "atomic power day." [end boxed item]

[28 Oct 89 p 3]

[Text] Energy Policy; Doubts, Too, on "Cost and Environment"

Following the line of the "Doi proposal" on energy, the JSP established a "Project Team on Energy Problems" made up of Katsusuke Ozawa, Kazuo Okuno, Minoru Mizuta and others, and it is scheduled to flesh-out the proposal in a concrete manner within the year.

The content of the rough blueprint which they will use in fleshing it out is, first of all, with thorough-going energy conservation, to cut by 20 percent consumption of energy for industrial use, which accounts for about 50 percent of Japan's energy consumption (approximately 450 million kiloliters per year when converted to oil). Next, with the use of such natural energy as sunlight, and by cogeneration (a system which supplies both heat and electricity), which has a high thermal efficiency, to reduce to one-half the energy consumption for private use, which accounts for 50 percent of the remainder, and also, by controlling the number of automobiles and switching over to railways and coastal shipping, to reduce to one-half the energy consumption of the transport sector, which accounts for the other 50 percent of the remainder.

By this means the JSP "aims at a composition of power sources that curbs consumption of oil and coal, which threatens the earth's environment, and does not depend on atomic power," but will it really go that well? Director Tokio Kano of the Tokyo Electric Power Co., Ltd. points out that "even if energy conservation can keep energy



consumption from expanding, it cannot lower the present level of consumption." Even in regard to development of cogeneration, which the JSP is making its mainstay, electric-power industry circles explain that "even if we take the maximum estimate, physically, 1.2 million kilowatts is the limit. This year's electric-power peak was the 128 million kilowatts of 22 August, so the ratio is about 1 percent of the whole. It cannot possibly bear the burden of Japan's private energy use."

According to a forecast of the Agency of Natural Resources and Energy, it warns that in the 20 years up to the year 2010, if new operation of atomic power plants is held to zero, ultimately consumption of such things as oil, coal, and gas will increase, and the volume of CO<sub>2</sub> generated will expand to 1.4 times the current amount (approximately 290 million tons). And if we try to control CO<sub>2</sub>, economic growth will decline greatly.

One reason why the JSP espouses "a Japan without nuclear power" is said to "lie in the fact that guaranteeing the safety of reactors is all very well, but there will be a large volume of radioactive waste," (Katsusuke Ozawa). As of the end of FY88, such low-level waste as the work clothes worn by power plant staff and so on, towels and paper totaled approximately 500,000 drums (converted to drum cans). In the future, high-level waste will increase.

According to plans, it is arranged for this to be managed in a unified manner at the nuclear fuel cycle facility in Aomori Prefecture's Rokkasho Mura, but (Katsusuke Ozawa) says "even looking at it geologically, burying it deep in the ground is outrageous."

Of course there are arguments against this policy from the private-sector as well. (Hokkaido Electric Power Co. President Kazuo Toda) points out that "if we were to increase consumption of coal, how would we go about disposing of the huge quantity of ashes, which would be the waste product, and preserving the environment? Beside which, coal ash, too, contains radioactive matter."

All the more so because the Tomari Power Plan in Hokkaido is Japan's newest nuclear power plant, the results of what has been learned up to now have been incorporated everywhere in such aspects as its design, material and equipment. The central control room, its focal point, is also adopting "a system of proficiency-enhancement from the conventional working by four teams and three shifts to working by five teams and three shifts," (plant chief Ken Endo). The extra team is to be used in the training center.

That the JSP "recognizes" the necessity of continuing to operate the currently operating nuclear power plants in the "Doi proposal." This is also probably because it cannot very well ignore the profitability of nuclear power generation or the electric power industry's efforts to guarantee safety. If that is so, will it not be pressed to

discover the point of contact between "cost and environment" not only in the Japanese economy, but on a global scale?

#### [Begin boxed item] World Nuclear Power Generation

According to the 1988 edition "White Paper on Atomic Power," as of June 1988 the number of atomic power plants in operation throughout the world was 410. Furthermore, the volume of electric power generated by atomic power plants in 1987 was 1.66 trillion kilowatt hours, which accounts for approximately 16 percent of all electric power generated in the world. The country with the most is America, where 106 reactors are in operation. [end boxed item]

#### Poll Shows Opposition Coalition Unlikely

OW1412144289 Tokyo THE DAILY YOMIURI  
in English 13 Dec 89 p 1—FOR OFFICIAL USE  
ONLY

[Text] A majority of Japanese do not think the opposition parties are capable of forming a coalition government to replace the Liberal Democratic Party [LDP], according to the results of a recent survey released Monday.

The YOMIURI SHIMBUN contacted 3,000 randomly selected people in 250 locations across the country on Nov. 18 and 19. A total of 2,181 or 73 percent, responded.

The four noncommunist opposition parties—the Japan Socialist Party [JSP], Komeito, the Democratic Socialist Party [DSP] and the United Social Democratic Party—held their first meeting of party leaders this spring in Kyoto to discuss a possible coalition government.

The meeting was followed by an unprecedented JSP victory and a heavy setback for the LDP in the July election for the House of Councillors, giving the opposition camp the hope of forming a coalition government in the event of a victory in the House of Representatives election expected in February.

About 50 percent of the respondents expressed interest in the opposition's plan, but most were less positive in their expectations for its realization. Asked whether the opposition would be able to form a coalition government, 22 percent said yes, while 60 percent doubted that it was possible.

The LDP or its antecedent conservative parties have formed the government since 1948. A progressive Cabinet lasting for 10 months was formed in 1947-48, with Tetsu Katayama as prime minister.

JSP Chairwoman Takako Doi has asserted that opponents are intentionally spreading the false idea that the opposition is incapable of forming a government. But the poll indicated that such a view was widely held by voters.

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Many voters had low expectations for a coalition government if it were formed, with 56 percent of respondents saying they expected nothing of it. When asked why, 39 percent of them cited the lack of able figures among the opposition, 38 percent said that a coalition government would be likely to collapse after only a short time, and 33 percent said the opposition was unlikely to make policies that considered the real interests of the people.

#### Editorial Views Political Reform Situation

OW1412142789 Tokyo MAINICHI DAILY NEWS  
in English 13 Dec 89 p 2—FOR OFFICIAL USE  
ONLY

[Editorial: "What Happened to Political Reform?"]

[Text] Politicians have lost their enthusiasm for political reform. With the current Diet session drawing to an end, the debate on this once-hot issue is at a standstill. Danger past, God forgotten. Their impudence is astonishing.

Neither Liberal-Democratic [LDP] nor opposition party members seem to care. Not only are they derelict, but also irresponsible. Flouting public opinion, they are avoiding reforms that might bring pain.

During this Diet session, the first step toward cleaner politics was supposed to have been taken with the enactment of major reform bills: an amendment to the public office election law to control contributions to constituents, an amendment to the political fund control law to bring more transparency into the flow of political funds, and a bill to make public the assets of Diet members.

But at this late stage, only the amendment to the public office election law, which will control contributions to weddings and funerals by politicians, is expected to be passed. As for the remaining bills, both the LDP and opposition parties have agreed to forego adoption, citing lack of time. As a result, only the expenditure of political funds will be controlled somewhat better, while their receipt, which really matters, is left untouched.

Debate on the amendment to the political fund control law has just begun as the LDP, the Communist Party and Komeito separately, and the Socialist Party and the Democratic Socialist Party jointly, have submitted drafts. However, with differences not only between the governing and opposition parties but also among the opposition parties, the deliberations are moving very slowly. This is because the Socialists and the Democratic Socialists on the one hand and Komeito on the other failed to come to terms over the ban on corporate and union contributions, an episode that casts doubt on their enthusiasm for early adoption.

Regarding assets being made public, the LDP draft to confine publication to the assets of Dietmen only and the opposition draft to extend it to those of their spouses and

other family members residing with them remain unrecconciled, and enactment during the current session has reportedly become impossible.

Neither the LDP nor the opposition parties have done their best to iron out differences over the amendment to the political fund control law or to consolidate an asset publication bill. Both sides are also derelict over reapportionment of the House of Representatives, an item that must be tackled urgently to correct a serious imbalance bordering on unconstitutionality.

This is not a question of time, but of attitude. In the LDP, factionalism is again rampant. Forgotten are the lessons of the Recruit scandal while enthusiasm for political reform has been lost. The opposition parties also lack enthusiasm; they only criticize the LDP's negative stance. Even if the LDP is reluctant about assets being made public, they should confront it by making them public whether a law exists or not.

It should be remembered that Prime Minister Toshiki Kaifu pledged sweeping reforms to establish political ethics and to institute clearer and less expensive politics in his policy address at the outset of the current Diet session.

But with his less than stable power base, which is subservient to the major factions, Kaifu has not exercised adequate leadership. Public frustration is growing, as shown in a recent poll conducted by the MAINICHI SHIMBUN.

Even during the limited remainder of the current Diet session, an agreement is still possible through strenuous negotiations if both the LDP and the opposition parties are serious about political reform. The amendment to the political fund control law and an asset publication law must be enacted at all costs before the session ends. For that purpose, a meeting of party leaders to reach a broad agreement should be considered.

While legislating political reform is but one step toward cleaner politics, all the parties that are represented in the Diet are responsible for this to meet public expectations. They should not forget that the people are watching as they get ready to cast their votes in the forthcoming general election.

#### Labor Organizations To Help Opposition Unite

OW1712021089 Tokyo ASAHI EVENING NEWS  
in English 15 Dec 89 p 7—FOR OFFICIAL USE  
ONLY

[Unattributed "Political Spectrum" column: "Will Opposition Join Hands in Poll?"]

[Text] Whether four opposition parties will cooperate against the ruling Liberal-Democratic Party [LDP] or not is a crucial element in the next Lower House election, which is expected to be held in February next year. Their efforts to arrange electoral cooperation have not

made progress. Three labor organizations are now taking the initiative for breaking the deadlock.

The labor moves to play go-between have gained momentum from the Nov. 21 inauguration of the Japanese Trade Union Confederation (JTUC or new Rengo), an umbrella labor body.

The Sohyo Center, which brings together unions backing the Japan Socialist Party [JSP] after the dissolution of the JSP-aligned Sohyo (General Council of Trade Unions of Japan), is most active in promoting electoral cooperation among the opposition parties.

In a radical departure from the past, Eikichi Magara, head of the Sohyo Center, has asked the member unions to support the candidates of the Democratic Socialist Party [DSP] in the coming election. The center fears that a sharp drop in the DSP seats in the election would result in giving the LDP a stable majority and increase the possibility of an alliance being formed between the LDP and the Clean Government Party (Komeito).

Considering the fact that the JSP has long rivaled the DSP, Magara's appeal is extraordinary.

The Sohyo Center is also committed to efforts to ensure that all the JSP candidates will get elected and electoral cooperation will be arranged among the four opposition parties—the JSP, Komeito, the DSP and the United Social Democratic Party.

Joining the center in the mediation efforts are the new Rengo and Yuai Kaigi, the pro-DSP group of unions which formerly made up the Japanese Confederation of Labor (Domei).

Top leaders of the new Rengo affirmed on Monday that assistance should be extended to help the four opposition parties put up enough candidates to prevent the LDP from winning a majority in the Lower House and to raise the proportion of successful candidates among those they field.

Further, working-level talks to promote electoral cooperation have been held among the three labor bodies.

The three organizations are putting together a blueprint for electoral cooperation. Observers say that whether the four opposition parties will be able to rally again around the cause of repealing the consumption tax in the forthcoming election is likely to hinge on the blueprint.

The labor groups set up a liaison on election measures on Oct. 27, before the inauguration of the new Rengo, which replaced the Japanese Private Sector Trade Union Confederation (Rengo). Analyzing the situation in all of the 130 Lower House constituencies, they agreed to make efforts to put up enough candidates to aim at gaining a simple majority in the house and to ensure the success of the candidates already named.

Facilitating the labor mediation efforts is the fact that the JSP has shifted its strategy from fielding as many

candidates of its own as possible to cooperation with the other parties. "The four parties will have to run a combined total of more than 280 candidates to secure a simple majority in the Lower House, but only 261 candidates have so far been found," says Kanju Sato, director of JSP election affairs.

Despite the JSP's policy change, the hurdle is high for electoral cooperation. The main problem is that while the JSP will run candidates in almost all the constituencies, Komeito and the DSP will field candidates only in limited constituencies.

In other words, under a nationwide electoral cooperation agreement, the JSP could expect support from Komeito and the JSP in nearly half of the constituencies where JSP candidates will have no rivals from Komeito and the DSP. But such an arrangement would not benefit Komeito and the DSP unless major JSP-affiliated unions support their candidates as well as JSP candidates.

Furthermore, the major unions backing the DSP are holding down the number of candidates they will put up. This poses difficulty for talks between unions to promote JSP-DSP cooperation on a give-and-take basis.

#### **JCP Regrets Ceausescu Execution, Welcomes Front**

*OW2712122389 Tokyo JPS in English 0855 GMT  
27 Dec 89—FOR OFFICIAL USE ONLY*

[Text] Tokyo Dec 26 JAPAN PRESS SERVICE—"We hope Romania will be liberated from bloodshed and violence". This is the title of a statement on the execution of Ceausescu, issued by the head of the Japanese Communist Party's [JCP's] International Department, Yasuo Ogata, on the evening of December 26 (JST). The statement says:

It is apparent that Ceausescu and others with him have grave responsibility for the armed repressions that have taken place since December 17 in Timisoara, Bucharest and other places. However, the announcement that Ceausescu has been executed is something we least expected, because the urgent cease-fire measures, announced by the Romanian National Salvation Front on December 24 clearly stated that "the crimes of Ceausescu and others, who led the state to destruction" will be "strictly punished by a tribunal", and that "individual revenge" was banned. A tribunal needs publicity and democratic procedures in which the right of defense is guaranteed. This is provided for in the international covenant on civil and political rights.

Details of the trial have not been made clear yet; it may have taken place in the transitional period when the firing by the resisting Ceausescu group had not yet ceased and a regular state organization had not been established. For all that, we cannot but hold feelings of regret, as we have welcomed, together with the Romanian people, the establishment of a new regime and the rehabilitation of democracy.



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We hope that those who are in custody, including Nicu, son of the Ceausescu, will have democratic and civilized treatment. We hope that Romania will be liberated from violence and bloodshed as soon as possible.

### JCP Protests CPSU Support for Anti-JCP Group

OW2012105189 Tokyo JPS in English 0902 GMT  
20 Dec 89

[Text] Tokyo Dec 20 JPS—The Central Committee of the Japanese Communist Party [JCP] on December 19 protested to the Central Committee of the Communist Party of the Soviet Union on their action of encouraging a leader of an anti-JCP group. The protest was made by Presidium member Shoji Niihara of the JCP to Soviet Minister Yuriy Kuznetsov, at the Soviet Embassy in Tokyo. The Soviet minister promised to convey the protest.

The JCP protest concerned the fact that Taeko Shiga, an anti-JCP element, recently visited the Soviet Union, where she was welcomed as a distinguished guest and encouraged by CPSU members.

The JCP protest says:

"Since the normalization of relations between the JCP and CPSU at the end of 1979, on the basic condition that the Soviet side would sever relations with any anti-JCP elements, including the (Yoshio) Shiga clique, this is the first time that the CPSU has openly received such a person on a visit, apparently a leading member of the Shiga faction, and to have given them encouragement. The JCP must strictly point out the serious significance of this in terms of the relationship between the two parties".

The JCP Central Committee "strictly protests to the CPSU Central Committee on this serious violation of the JCP-CPSU agreement and the pledge given by the CPSU", the protest says.

According to an article written by Taeko Shiga in the organ of the anti-JCP clique, she arrived in Moscow on October 2.

### JCP Demands End to U.S. 'Aggression' in Panama

OW2112122689 Tokyo JPS in English 0923 GMT  
21 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo Dec 21 JPS—On the U.S. military aggression against Panama on December 20 made under the order of U.S. President George Bush, Tetsuzo Fuwa, chairman of the Presidium of the Japanese Communist Party [JCP], issued a statement demanding that the U.S. stop the aggression against Panama at once. The full text of the statement follows:

1) The U.S. Bush administration started military aggression against Panama on December 20. The Japanese

Communist Party severely condemns this act of aggression which openly infringes the sovereignty of the independent state of Panama and tramples underfoot the right of Panama to national self-determination. At the same time the JCP strongly demands that the U.S. Government stops this act of aggression at once and immediately withdraws all its troops from Panama.

2) President Bush gave the reasons for the military operation as the protection of the lives of Americans there, recovery of the democratic process, to sustain the treaty on the Panama Canal, and for the seizure of General Manuel Noriega. The safety of Americans and the recovery of democracy are the same pretexts which used for the U.S. aggression against Grenada 6 years ago. It is worn-out sophistry used by an aggressor in an attempt to justify its act of aggression. The alleged pending issue over the treaty on the Panama Canal should be settled peacefully. Aggression against another country by military force is against international law. As regards the democratic process in Panama, it is clear that there is no question of the domestic system in the of Panama justifying aggression or intervention by the U.S. [sentence as received]

The U.S. imposed an economic blockade on the country and attempted coups many times in which the U.S. Bush administration was directly involved, but all met with failure. The U.S. has come to military aggression as its last resort, alleged by from a request by Guillermo Endara, the opponent in the internal conflict over the presidential election in May and whom the U.S. helped to take the "presidency". [sentence as received] This is an attempt to overthrow the government of the independent state of Panama by force of arms, to set up an administration that will act for the U.S. and force Panama to come under U.S. rule. World public opinion will not be taken in by this deception.

3) Panama was borne in the beginning of this century by the U.S., which militarily interfered and separated it from Colombia to construct the canal. The canal zone is substantially under the direct control of U.S., with U.S. forces permanently stationed there with the Southern Command Headquarters, which is the core of the strategy of military domination over South and Middle America. In this carefully planned operation with the dispatch of thirteen thousand troops from the United States, additional to the 10,000 U.S. troops already stationed there, the U.S. has invaded a country of about 2 million people. It aims at re-planning its strategy of domination over South and Middle America, and to continue its domination over the canal even after 1990, when the treaty ends. The struggle for the right of a nation to self-determination arises in this situation, in those countries concerned.

4) The Japanese Communist Party, together with international opinion, has been strongly criticizing the U.S. for regarding South and Middle America, especially Middle America and the Caribbean Sea as its "sphere of influence", calling it a strategic region vital for the U.S.

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In this context it invaded Grenada and is continuing military interference in Nicaragua, thus threatening world peace and the right of nations to self-determination.

The Japanese Communist Party firmly demands that the U.S. Government halts its invasion of Panama. At the same time the JCP again demands that the U.S. stop all infringements of the right to self-determination of the Latin American peoples, including Nicaragua and El Salvador.

#### Keidanren Chairman Favors LDP Election Win

OW2112053889 Tokyo JIJI in English 1255 GMT  
20 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 20 (JIJI PRESS)—Keidanren Chairman Eishiro Saito called for the business community's all-out cooperation to help the Liberal Democratic Party (LDP) win in the forthcoming general election, terming it a crucial election to determine the fate of the free market economy in Japan.

Speaking at a meeting of the Board of Councilors of the Federation of Economic Organizations, Saito said the LDP's crushing defeat in the House of Councilors election in July has brought an element of instability to the Japanese political situation.

Saying that this instability is casting a cloud of uneasiness over Japan's future economic picture, he emphasized a victory for the ruling conservative party in a House of Representatives election, expected in February, is absolutely necessary to restore full stability of the political scene and sustain economic growth.

The LDP lost a majority position to the Japan Socialist Party-led opposition camp in the Upper House election partly because of public disapproval of the new Consumption Tax imposed on almost all goods and services from April this year and the Recruit stock-for-favors scandal.

The LDP Government must press ahead with political reform efforts to regain public confidence and also make all-out efforts to enhance voters' understanding of the need for the new tax, Saito said. He also said he will attend a world economic forum meeting in Davos, Switzerland, next February to drum up support from among the world's political and business leaders for a global investment fund initiative to promote public works projects.

He urged the Government anew to redouble efforts to improve relations with China, strained over Beijing's military crackdown on democracy movements in June, and help China be integrated back into the international community.

#### \* Gotoda Warns LDP Defense Zoku on Militarization

WA1112021689 Tokyo ASAHI SHIMBUN in Japanese  
1 Dec 89 p 2—FOR OFFICIAL USE ONLY

[Unattributed article in the "Press Gallery" column: "Warning to the Movements of the Defense Zoku"]

[Text] Masaharu Gotoda, who served as chief cabinet secretary for 3 years during the Nakasone administration, recently wrote his memoirs, entitled "Chief Cabinet Secretary."

In the memoirs, published by Kodansha, Mr Gotoda repeatedly emphasized: "The prime minister and cabinet members always use the term 'nonmilitary' when they mention Japan's contribution to the world. However, I fear that this term 'nonmilitary' may disappear some day. This should absolutely never happen."

Mr Gotoda formerly was director general of the National Police Agency. Although he is often thought of as a hawk, he always says: "It is the responsibility of we who survived the war to ensure that it never happens again." In his memoirs he revealed an incident which he previously had not wanted to discuss. The incident occurred in 1987 when the question arose whether or not to send Self-Defense Force ships to the Persian Gulf. At that time he was prepared to resign in opposing the prime minister, who was contemplating sending the ships. Gotoda said: "When it is time for the cabinet to make a final decision, I will not sign."

Recently, the government decided to use the Maritime Safety Agency to escort shipments of plutonium. But prior to this decision, it was reported that there were heated discussions between Gotoda and the LDP's [Liberal Democratic Party] defense zoku [a group of Diet members exerting powerful influence in defense matters] and the Defense Agency. Gotoda opposed the use of Self-Defense Force ships, while the LDP's defense zoku and the Defense Agency supported it. Mr Gotoda seems very worried over the recent trend by the Foreign Ministry, Defense Agency, and the defense zoku to propel Japan towards a transformation from an economic superpower into a political superpower.

Two years ago Mr Gotoda published a book entitled "What Is Politics?" which was well received. This was unusual, because normally writings by politicians rarely are popular. He seems to have a strong desire to write his third book, which will include the reason former Prime Minister Nakasone named Takeshita to succeed him in the 1987 LDP presidential election. However, he said that "it is too soon to publicize recent events."

#### Economic Affairs

#### Kaifu Approves Draft Economic Outlook Paper

OW2112053689 Tokyo JIJI in English 1305 GMT  
20 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 20 (JIJI PRESS)—Prime Minister Toshiki Kaifu Wednesday approved a draft economic

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outlook including a real economic growth projection of 4 percent for fiscal 1990 starting next April. The economic outlook has been drafted by the Economic Planning Agency and other government agencies and reported to Kaifu by the agency's Deputy Director General Shinyasu Hoshino Wednesday. It will be officially adopted at a cabinet session Friday, government officials said.

The draft outlook projects fiscal 1989 growth at 4.6 percent instead of an earlier estimated 4 percent. It forecasts that domestic demand, including personal consumption and corporate fixed investment, will continue to lead Japan's economic expansion in Fiscal 1990. Domestic demand is expected to push the growth rate up by 4.6 percentage points, while overseas [words indistinct] and is projected to push it down by 0.5 points.

Personal consumption is forecast to accelerate growth and corporate fixed investment is predicted to remain buoyant.

The outlook revises Japan's prospective current account surplus downward from the original 71 billion dollars to 61 billion dollars for fiscal 1989. The next fiscal year's surplus is projected to further decline to 56 billion dollars, with its ratio to nominal gross national product falling to 1.9 percent from 2.2 percent expected for Fiscal 1989.

Wholesale prices are projected to rise 0.6 percent in fiscal 1990 and consumer prices 1.6 percent. The consumer price hike projection is based on the planned modifications to the 3 percent consumption tax, where foods for retailing would be exempted from the tax.

#### **Relaxation of Cocom Controls Thought 'Premature'**

OW1712230089 Tokyo ASAHI SHIMBUN in Japanese  
13 Dec 89 Morning Edition p 9—FOR OFFICIAL USE ONLY

[Text] In the wake of the prodemocracy trends in Eastern Europe, a move has been put in motion in Europe and the United States to relax the controls under the Coordinating Committee for Multilateral Export Controls (Cocom). In this connection, a top-level Ministry of International Trade and Industry [MITI] official on 12 December indicated a forward-looking posture, saying, "Japan also has no objection to a review of the controls, including their relaxation." He added, "Japan wants to actively participate in debates on a review."

The government has thus far taken the position that a relaxation of Cocom controls is "premature."

The senior MITI official, said, however, that it will take time to review the Cocom list, an action which may lead to a full-scale relaxation, and added, "I am afraid that the matter will be addressed for the time being by expanding special authorizations." A special authorization is a system under which exports of products and technologies prohibited under the Cocom control list are authorized through unanimous agreement of all Cocom

member nations. If such special authorizations should be expanded, the controls would be virtually relaxed.

#### **\* Worldwide Cooperation Needed in Monetary Policy**

902A0016A Tokyo SANKEI SHIMBUN in Japanese  
12, 13, 14 Oct 89—FOR OFFICIAL USE ONLY

[12 Oct 89 p 8]

[Part I by Toshiki Shigetani]

#### **[Text] Scenario Gone Awry; Finance Ministry's Quick Decision Aimed at the Election**

"The system of cooperation among the nations is perfect. From now on, even monetary policies, not to mention cooperative intervention in the foreign exchange market, will be coordinated with telephone calls. There is a possibility that the United States will cut its interest rate before the end of the year if the U.S. economy continues to slow down," a key official of the Ministry of Finance related after attending a series of conferences on international monetary policies and currencies, including the meeting of the finance ministers and central bankers of the seven advanced nations (G-7), held in late September in Washington, D.C. With this remark, he hinted that a U.S. interest rate cut was imminent. Less than 2 weeks after that, a monetary policy revision took place—not in the United States but in Japan and West Germany.

Immediately before the G-7 meeting, West Germany's Finance Minister Waigel traveled all the way to Japan to suggest to Finance Minister Hashimoto that Japan and West Germany either raise their interest rates together or press the United States to drop its interest rate. Japan's finance minister turned down this proposal after heated argument. In the final analysis, however, West Germany and others raised their rates on the 6th, which was followed by a hike in Japan. What happened behind the curtains during the series of conferences?

International monetary authorities confirm that monetary policies of the member countries were discussed at the G-7 meeting. The focus of discussions at the meeting was on a U.S. interest rate reduction. No suggestions were made for Japan to alter its rate. This was because of "Japan's stable prices and its narrowing current account surplus. It has fulfilled its duty to expand its domestic economy, and thus earned high marks at the meeting," according to a Finance Ministry source.

In essence, the scenario formulated at the G-7 meeting was for central banks to intervene in the currency market by selling off dollars with an aim of correcting the dollar's overvaluation. This was to be followed by an interest rate cut by the United States in response to changes in the foreign exchange market. West Germany then was to watch for the optimum timing for raising its interest rate.

This scenario, however, did not materialize. Moreover, cooperative interest rate hikes by Deutsche Bank and other European monetary authorities, which followed



the unsuccessful cooperative intervention, failed to achieve much results. To make matters worse, the Federal Reserve Board of the United States did not appear to be open to the idea of lowering U.S. interest rates, due to concerns over price stability. Furthermore, the New York foreign exchange market reacted to the speech of Federal Reserve Board Chairman Greenspan in Moscow on the 10th and pushed the dollar rate almost to Y145, a level considered by some to be the limit of yen's depreciation. The Ministry of Finance and the Bank of Japan explained that the latest discount rate hike was implemented to keep the rate in line with the realities of the money market. However, this explanation smacks of an after-the-fact logic.

Finance Minister Hashimoto made a remarkably quick decision when an interest rate hike was recommended by the Governor of the Bank of Japan Sumida. The speed of the decision can be appropriately likened to "a flash of lightning," as in the words of a Finance Ministry source. Unlike the economic climate which surrounded the preceding discount rate hike, conditions were perfect for a quick decision as the Japanese-U.S. economic relationship was enjoying brief tranquillity amidst structural debate and there was no fear of an interest rate hike being discussed in conjunction with price spirals caused by the consumption tax. The Ministry of Finance determined that a hard-line attitude is required to stop the dollar from rising further, given the uncertainty over an interest rate hike in the United States. The dollar did drop momentarily on the Tokyo foreign exchange market on the afternoon of the 11th upon news of the discount rate hike. Interestingly, however, the market did not change substantially, as dollar purchases rose based on the reasoning that "short-term reasons for selling have been exhausted."

There is yet another cynical view.

Although "prices are stable" according to the Ministry of Finance, consumer prices in the metropolitan Tokyo area were up 3.0 percent in September over the same month a year ago. If the price level continues to be this high, the annual growth will exceed the 2 percent projection included in the government's economic forecast for the current fiscal year. The opposition parties, which are pressing for the termination of the consumption tax, probably will focus their attack on this point in the upcoming general election. Conversely, if interest rates decline, the hostility of senior citizens and others who depend on depository income, who are opposed to the consumption tax, can be moderated. Furthermore, an interest rate hike is a necessity to curb land price spirals, which are spreading even to regional areas because of the availability of low interest rate real estate loans.

It cannot be denied that these circumstances affect the decisions of the governments and the LDP.

[13 Oct 89 p 8]

[Part II by Toshiaki Ohno]

#### [Text] Bank of Japan's Motives; Room Left for Another Interest Rate Hike

"There had never before been a discount hike this quick and this responsive," proudly announced the Governor of the Bank of Japan Sumida at his press conference, which was held on the afternoon of the 11th, following the latest discount rate hike.

The major goal of the rate hike was to correct the overvaluation of the dollar. However, the reaction of the foreign currency market was not as dramatic as the Bank of Japan had hoped to induce with its surprise announcement of the rate hike. "The market had already woven a rate hike of 0.5 percent or so. The dollar surge cannot be contained with a hike of this magnitude," commented a top-level manager of a major city bank. His view was echoed by many others.

The upper limit on the disparity between the money market rate and the discount rate is about 2.0 percent to 2.5 percent. Considering that the annual rate on new CD [certificate of deposit] issues (transferrable deposits) now exceeds 6 percent, the deviation from the discount rate (3.75 percent) is still wide. This means that more room for another rate hike remains.

On the other hand, some currency dealers feel that the impact of the latest rate hike was not small. They point out that the lowest point the yen rate dipped to in June was Y151. It was Y148 in September. With the latest discount rate hike, the dealers say, there is a possibility that the floor will be Y145 in October.

Although the size of the discount rate hike was modest, the Bank of Japan took a "forward-looking posture" toward correcting the dollar's surge and maintaining price stability in order to sustain the expansion of domestic demand over a long run. In the background are the lessons learned during the Izanagi Boom (November 1965 - July 1970). At that time, the bank raised its discount rate twice—once in September 1967 and the other in November 1968—in a preventive manner and succeeded in stretching out the duration of the boom.

The large-scale economic boom, which commenced in November 1986, is now in its 35th month. All along, it has been powered by personal consumption and capital spending. Capital spending, in particular, grew 13.8 percent in fiscal 1988 on an all industry basis over the preceding year, and is growing at a projected rate of 13.7 percent during fiscal 1989. Two successive years of double-digit growth have not been seen since the fiscal 1973-74 period (according to a study by the Industrial Bank of Japan).

"There is practically no negative impact of the discount rate hike on the economy," says Mr Hiroshi Hida, manager of research at the Dai-Ichi Kangyo Bank. However, consumer prices in metropolitan Tokyo grew 1.0 percent in September over the preceding month, despite the fact that prices are said to be stable. Inflationary pressures are creeping up on us with the supply-demand

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relationship of products and labor becoming increasingly tight. Moreover, the present condition of excessive funds was one reason behind the latest discount rate hike.

The rate of growth of money supply over the same month a year ago dropped from over 10 percent to 9.4 percent in June as the result of the discount rate hike of May. However, the rate of growth now hovers in the upper 9 percent range. Massive amounts of surplus funds which grew faster than did the nominal economy (which rose 6.2 percent in the 2d quarter over the same quarter a year ago) and flowed into the real estate market triggered a land price spiral and dashed the hopes of home ownership for many people. "Inequality between people who can take part in the money game and those who cannot should not be left uncorrected. Tighter monetary controls should help raise the living conditions of the Japanese, too," asserted one top-ranking official of the Bank of Japan.

[14 Oct 89 p 8]

[Part III by Akira Yuasa]

[Text] **The Last Card: The FRB [Federal Reserve Board] Cautious Toward a Rate Hike**

"Dollar selling? No, buying," murmured foreign currency dealers on Wall Street on the 11th in momentary bafflement upon learning the Bank of Japan's surprise discount rate hike.

What made them switch their decision in a flash was the direction which the FRB is assuming. "The Fed holds the trump card for predicting the future of the foreign exchange market," said Mr Strauss, UBS [Union Bank of Switzerland] Chief Economist.

The effect of interest rate hikes in Europe and Japan, which followed the cooperative intervention by central banks of the world toward the dollar correction, has been repelled by the powerful "market myth" that the "final outcome is dependent on the U.S. decision."

Which way will the Fed move? Administration Management and Budget Bureau Chief Darman criticized the Fed in August, calling the Fed's monetary controls too tight. Presidential Economic Adviser Boskin also repeated a similar warning. Fed Chairman Greenspan's speech given in Moscow on the 10th sums up his response to these voices of criticism.

"Attempts to maintain foreign exchange rates at unrealistic levels undermine the stability of the international flow of funds and will eventually fail," he remarked.

"Chairman Greenspan is as much an inflation fighter as was Mr Volcker, his predecessor. Mr Greenspan would not subjugate domestic economic policies to the foreign exchange market," says Mr Birnstein, chief researcher at Brookings Institute.

The Bush administration encourages lower interest rates in order to ensure economic growth at above 3 percent

and reduce budget deficit. In contrast, the Fed is primarily interested in inflation control and refuses to succumb to political pressures to ease monetary controls. "If the Fed concludes that inflation will not spread further and if concerns develop over the future of the economy, the interest rate would have to be lowered," says Mr (Katsumasa) Tamura, chief economist at Bank of Tokyo's New York Group. The interest rate he is talking about is the federal fund (FF) rate, which applies to interbank loans of the deposits held by commercial banks with Federal Reserve Banks.

Chief economist (Sinai) of Boston Company Inc. and many other experts hold similar views. Economic recession forecasts in June and July were replaced in August by theories of a soft landing, supported by a modest growth rate of about 2.5 percent, as retail sales and other indicators grew. But September employment statistics showed a 0.1 percentage point rise in unemployment and the level of employment in the manufacturing industry turned out to be 100,000 workers below projections. Moreover, mining and manufacturing production is sluggish, as the industry is burdened by excessively high inventories. In addition, a yellow signal is beginning to flash on the 4th quarter gross national product.

However, the dominant view on a discount rate hike among economists is that the Fed is bound to put domestic factors (prices) ahead of the cooperation among the G-7 nations. Thus, it will likely guide the FF rate down to about 8.5 percent from the current annual rate of roughly 9 percent and then watch what happens.

The Fed is sometimes nicknamed the "secret temple." Despite its powerful influence on the world, the size of which is second only to that of the President, its policy formulation is shielded from public eyes. This secrecy is the reason for the Fed's being likened to a mysterious temple.

While the correction of the dollar overvaluation in the immediate future holds little hope, not only monetary authorities and market participants in Japan and Europe but also the Bush administration is eagerly waiting to see the next move of Chairman Greenspan, as the chief priest examines economic statistics while taking a bite of his sandwich.

#### \* Conferees Seek Solutions to Distribution Problem

90A10030 Tokyo Economic Planning Agency  
in Japanese Sep 89 pp 1-8—FOR OFFICIAL USE ONLY

[Economic Planning Agency report: "Toward the Formation of an Open, Competitive, Consumer-Oriented Distribution System"]

[Text] I. The Aim of This Report

Japan's distribution system currently faces a period of great upheaval. Its ideal structure is being vigorously debated, both at home and abroad, because of the

difference between domestic and foreign prices. Given these circumstances, this report, "An Open, Competitive, Consumer-Oriented Distribution System", has been compiled, mainly from the viewpoint of benefits to consumers, to suggest which direction Japan's distribution system should take in the future. Its aim is to offer policy recommendations for the realization of such a system.

## II. Structure of the Report

A. This report consists of general remarks and comments referring to specific issues.

B. General remarks cover four chapters. First, in Chapter 1, we touch upon changes in the economic and social environment which involve the distribution system. In Chapter 2 we discuss changes within the distribution system itself caused by the changing environment, and the effect of those changes on the competitive structure and on consumers. Then, in Chapter 3, we indicate the aims of this study conference, which are (1) enabling consumers to make rational choices, and (2) creating a "consumer-oriented distribution system," in which consumer preferences are communicated to producers. We also indicate problems with the existing distribution system, in the light of evaluation criteria. Then, in Chapter 4, we suggest policies which, in the context described above, will lead to a consumer-oriented distribution system.

## III. Report (General Remarks)

### Chapter 1 - Changes in the Distribution Environment

The economic and social environment of Japan's distribution system has undergone great changes, because of (1) diversification of consumption, (2) a radical increase in the value of the yen, and internationalization, and (3) the development of information networks—these all affect the nature of the distribution system. We recognize these changes as a "stimulus" to make Japan's distribution system more rational and more efficient.

### Chapter 2 - Changes in the Distribution System, and Their Impact

Because of the above-mentioned effects of environmental changes, changes have occurred in the distribution system itself, such as (1) a decrease in the number of small retail stores, (2) the diversification of business conditions due to the growth of convenience stores, sales through channels other than stores, and discount stores, (3) the pluralization of import channels, due to an increase in develop-and-import schemes, parallel importation, reimportation, personal importation, and the number of overseas travelers, and (4) the diversification of business relations accompanying the diversification of distribution channels, the growing importance of information, and crossover trends in business. Because of the impact of these changes, competition between retailers, and between manufacturers, wholesalers, and retailers has intensified, as has that between domestic and

imported products. Moreover, the growth of discount stores has necessitated changes in manufacturers' pricing and sales strategy, and has brought about fierce competition between wholesalers. With intensified competition, the number of small professional retailers will decrease, and large retailers will have a strong influence on pricing and business conditions. The increase in imports has brought with it the advantages of a wider range of choices for consumers, and the stabilization of commodity prices.

### Chapter 3 - Toward the Formation of an Ideal Distribution System

#### A. The Distribution System and Consumer Choices

The changes which can currently be observed in Japan's distribution system must be evaluated in the light of our purposes, which are (1) enabling consumers to make rational choices, and (2) the formation of a distribution system in which consumer preferences are communicated to producers. Four concrete evaluation criteria are stated below. Hereafter, problems will be indicated, and policy recommendations made in light of these evaluation criteria.

The first criterion is that the distribution system be "open and competitive." For it to be "open," (1) standards for regulations and business practices must be clear to both domestic and foreign businessmen, and must be acceptable on an international level, and (2) foreign products must not be excluded from the domestic market by the systematization of distribution. For the distribution system to be "competitive," it is vital that freedom to open branch stores, freedom of entry into the market, and freedom in the stocking of goods and setting of prices be maintained.

The second criterion is that sufficient information be provided to consumers, who generally lack the ability to gather or process information, or to influence pricing; and that provisions be made for an organization which will select information necessary to the consumer, from the vast quantity of information available at different levels, the content of which is not necessarily objective.

The third criterion is for businessmen to be able to obtain information concerning consumer preferences quickly and accurately, and that a channel be opened for that purpose. The intention here is to exclude the possibility of an oligopolistic domination of the market by major retailers, by their control of the quantity and quality of information concerning consumer needs. This is to be accomplished by establishing a system which will support the self-reliant efforts of small and medium-sized enterprises, and overseas enterprises, which have little ability to obtain such information, to improve their information-gathering capabilities.

The fourth criterion is that consumers be able to independently establish their own preference and judgment



standards, understand the nature of information provided to them and, having gone through the processes of selection and comparison, take rational action.

#### B. Distribution Regulations and Problems Concerning Them

If we evaluate the existing distribution system in terms of the above four criteria, we cannot consider that these criteria are fully satisfied, for various reasons, though a basic trend with desirable aspects is evident. The causes of obstructions can be classified as (1) official regulations, (2) business dealings and practices, (3) problems concerning information, and (4) the awareness and actions of consumers.

##### 1. Official Regulations

Regulations and safeguards were established for specific purposes. However, since their establishment, the economic and social situation, and distribution itself have undergone great changes. Though their substantive meaning is vanishing, they obstruct changes which are needed to make distribution efficient, in light of the first criterion, which specifies an "open and competitive" system.

##### a. Domestic Regulations

##### i. Entry Regulations, Price and Fare Regulations, and Examples of Problems Concerning Them

Entry regulations govern the sale of particular products (e.g., alcoholic beverages, pharmaceuticals), the opening of branch stores (e.g., large-scale retail stores), and businesses (the truck transportation business, etc.). Price and fare regulations govern prices (tobacco, etc.) and fares (truck transportation fares, etc.). In addition to problems concerning the purposes of these regulations, the necessity and rationality of procedures, and the adequacy of implementation, another problem has been pointed out—they have become outdated, with respect to the growing importance of information and crossover trends in business.

##### ii. Regulations Based on the Law Concerning Large-Scale Retail Establishments, and Problems Concerning Them

The Law Concerning Large-Scale Retail Establishments controls the opening of new branches of large-scale retail stores, and imposes stringent limitations as to space, operating hours, and the number of days of operation. Even stores which are not covered by this law may be subject to regulations made by local authorities, according to their own principles. The following points have been made concerning these regulations.

- Formalities such as advance presentations, not specified in the law, involve considerable expense which increases with the duration of formalities, and affects the selling price of products after the store opens.
- Large-scale retail stores which have already opened branch stores can avoid competition from newly

opening stores, and their interests are protected.

- The Law Concerning Large-Scale Retail Establishments and regulations of local public authorities do not appear to be functioning in a way that ensures the opportunity for business activity required by entrepreneurial, innovative, small and medium-sized retail businesses.

##### b. Problems Involving Import Regulations

One problem involving import regulations is that for those products whose import is regulated, the prices, quantity, quality and selection of imported products may not be to the consumers' advantage.

Dockside inspection, formalities, standards and certification of imports have been simplified and expedited, due to the implementation of an action program. Barriers against imports are disappearing, but those which affect import facilitation still remain.

- When persons other than business professionals attempt to import, or when the importation of types of products not traditionally imported, new products, or products in small quantities is attempted, there are barriers in terms of time and expense.
- Standards and criteria for health, safety, and environmental considerations exist which are not consistent with international standards. Though sufficient attention should be paid to ensuring safety, there are many examples where these standards become a significant barrier to the facilitation of imports.

##### 2. Business Transactions and Practices

Japanese business dealings and practices, which foreigners find so difficult to comprehend, have been established to apply in economic and social conditions, and to consumer requirements particular to Japan. They do possess a certain "Japanese" rationality, but in light of the four criteria, and amid growing internationalization, the following problems have been indicated.

##### a. Business Dealings Emphasizing Personal Relationships

In Japanese business transactions, particular emphasis is given to personal relationships, relationships of trust, and long-term, stable dealings. When entering into a new business relationship, considerable time, effort, and expense are required to establish a relationship of trust. Maintaining a business relationship also entails some expense. The cost of entering into and maintaining business relationships with overseas enterprises is even higher.

##### b. Systematization of Distribution

There is a certain merit in the systematization of distribution seen in some product areas, in terms of a reduction in transaction-related expenses, and after-market fulfillment. However, there are also undesirable effects on market conditions, such as price rigidity and the loss of independence for distributors. Also, in addition to the

factors described in "a.", there is the risk of the system taking on an exclusionary function when there is new entry into the market from overseas.

#### c. Pricing System

In Japan, there is a widespread practice where manufacturers set prices in their transactions with wholesalers, and where transactions between wholesalers and retailers are based on the manufacturer's suggested retail price. When the manufacturer's suggested retail price is used properly, it can perform a specific role in consumer selection, as a standard for determining the prices of products. However, when prices are set cooperatively at the manufacturer level, and when competition at the retail level is not active, depending on competitive market conditions, the pricing system can bring about effects tantamount to supporting resale prices, and can cause end price rigidity.

#### d. Return System

The return system extensively practiced in Japan has the rationale of adjusting mismatches in demand resulting from such factors as seasonality, and can be commended as a means of efficiently absorbing the risk of unsold stock in the distribution system as a whole. However, costs associated with returns increase, and are ultimately transferred to consumer prices. Another problem is that the desire to improve management on the part of retailers is obstructed, and applying this practice of returning unsold goods to all products, on a widespread basis, is not justifiable. The return system is also likely to be viewed from abroad as an import barrier.

#### e. Sole Agent Import System

The sole agent import system performs a specific role, when imported products are introduced into the domestic market. However, problems of high or rigid pricing policies, and limitations on the distribution channels, such as authorized retailers, are continually arising. Also, there is the problem that when oligopolistic domestic manufacturers become import agents for products similar to their own, as monopolistic suppliers they can control the supply, so that their own products are not affected. Furthermore, there are indications that practices in effect which obstruct parallel importation.

#### 3. Problems Concerning Information

As for the matter of producers' providing information to consumers, the information-gathering and processing ability of consumers is, naturally, limited. In addition, it has become difficult for consumers to make objective and rational choices because of the great number of retail stores, the extremely rapid appearance of new products, and because of limited stock, a result of the systematization of distribution. Also, some of the information in advertisements in magazines and flyers is not objective.

Moreover, one influential ingredient necessary to determine the validity of domestic prices—information on a daily basis concerning domestic and foreign price differences, is lacking.

It is easier for those businesses which have access to influential information networks, such as POS [point of sales] and VAN [value added network], to deal with the diversification of consumption, than it is for those which do not have access to such networks. When there is no competition between networks, there is the risk that certain businesses will concentrate on and monopolize the information. Then, the exclusionary competitive edge of the said businesses will increase, as will the likelihood of market oligopolization, and the manipulation of information.

#### 4. Consumer Behavior and Awareness

As far as behavior is concerned, Japanese consumers tend to shop within a small area, and to purchase small amounts frequently. Their price-awareness is at a low level. Generally, they have a strong feeling that expensive items are superior, and are strict in their demands for a variety of products and services, high quality, and meticulous service. Furthermore, the fact that some consumers expect the same product to be sold at the same price, at any time and at every store, may cause price rigidity.

#### C. Businessmen's Conceptions of the Distribution System of the Future

In order to find out how aware businessmen are of the above-mentioned problems, and how they plan to deal with them in the future, the Economic Planning Agency commissioned the Mitsubishi General Research Center to do a survey, by mail, of 800 retail and wholesale companies, and 500 manufacturing companies, in November and December of 1988. Since only a limited number of enterprises were surveyed, the results of the survey are, of necessity, somewhat limited. But, generally, the following characteristics of the conceptions of businessmen can be mentioned.

1. As methods they use to learn about consumer needs, most retailers and wholesalers mentioned sales information originating from their own firms and next, reports from manufacturers on sales conditions. Manufacturers are performing a rather important role in acquiring information about consumer needs.

2. Regarding the growing importance of information in distribution, many businessmen feel that major retailers are working toward increasing their bargaining power in interchanges, and their influence in transactions with manufacturers.

3. However, as far as business dealings and practices are concerned, retailers, wholesalers, and manufacturers alike are not particularly amenable to changes.

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4. Few businessmen mentioned "the stocking of low priced goods and/or sales at substantial discounts," as important management tasks in their future operations.

5. Among wholesalers and retailers, there is a strong inclination to quickly stop handling products that do not sell well, and among manufacturers, to stop making them, showing a trend toward the shrinking of products' life cycles.

Businessmen feel that, in the realization of a consumer-oriented distribution system, there are problems which are likely to be solved by entrusting them to the market, such as the growing importance of information to major retailers, and problems which are unlikely to be solved by entrusting them to the market, such as those concerning business dealings and practices.

#### Chapter Four—The Direction of Policy Measures

##### A. Shaping Policies

In order to realize an open and competitive "consumer-oriented distribution system," the creation, by public policy, of an environment where a basic market mechanism is sufficiently in evidence, is indispensable. For that purpose, the four evaluation criteria must be satisfied. Considerations to be made in the promulgation of policies are: first, the active promotion of the relaxation of official regulations, without being swayed by vested interests. The second is the provision of a competitive environment, through the strict enforcement of the Anti-Monopoly Law; and, in the case of foreign businessmen, the ensuring of clarity and impartiality of standards for business practices, through efforts on the part of Japanese businessmen and the drafting of explicit, written agreements. The third is assisting consumers by providing them with information which enables them to make rational choices. The fourth is increasing the amount of information in distribution; the fifth is providing opportunities for the exchange of opinions between interested parties, both Japanese and foreign, on the nature of Japan's distribution system, and furthering of mutual understanding of Japan's distribution system, both at home and abroad. The sixth is to establish an infrastructure to promote importation, through develop-and-import schemes and parallel importation.

##### B. Policies for Improving Distribution Efficiency

The following concrete policies have been suggested, based on the above-mentioned considerations.

##### 1. The Relaxation of Official Regulations

###### a. Reassessment of Regulations Governing Specific Products and Businesses

It is necessary to properly reassess regulations governing the sale of specific products, such as alcoholic beverages and pharmaceuticals, and businesses, such as truck transportation, in the context of the problems already

pointed out, so that the competitiveness of these products and businesses is not hindered, and so that the proliferation of information and crossover trends in business are not obstructed. Furthermore, even where regulations are necessary, those affecting the basic market mechanism must be kept to a minimum, in order to preserve fair competitive conditions.

###### b. Reassessment of the Law Concerning Large-Scale Retail Stores, and Rationalization and Clarification of Its Enforcement

We have reached a point where we must examine the appropriateness of the Law Concerning Large-Scale Retail Stores, from the standpoint of encouraging the further activation of the distribution industry. It is also necessary to reassess the regulations made by local authorities, which govern the opening of branch stores by small and medium-sized stores not subject to the Law Concerning Large-Scale Retail Stores.

As immediate measures, the rationalization and clarification of the enforcement of the Law Concerning Large-Scale Retail Stores in the manner originally intended, are required. As concrete measures, first, it is necessary to reduce the length of time and the nature of formalities, such as advance presentations and advance coordination not specified in the law, to a minimum, and to investigate the possibility of making such formalities explicit. Second, there is a need to examine problems concerning formal coordination, such as the disclosure of proceedings, and committee members becoming quasi-government employees, in a manner suitable to their purposes, so that fair and proper management in accordance with those purposes, is ensured. Third, when deliberations on advance presentations and advance coordination are not completed within the specified period of time, it is necessary to transfer the regulatory process to the Large-Scale Retail Stores Council. Fourth, it is necessary to clarify standards to guide municipalities in their regulation of the opening of branch stores, giving due consideration to promoting competition between large stores, with an emphasis on ensuring benefits to consumers.

###### c. Promotion of Importation by the Simplification and Relaxation of Standards, Certification, Inspection Formalities, and Customs Duties

In order to promote importation, it is necessary to plan the further simplification and expediting of standards, certification, and inspection formalities, while paying careful attention to such aspects as safety. It is also necessary to take quick action to abolish customs duties, or to make them more flexible, to reduce duties, and to clarify and simplify the application of tariffs to domestic products, without being overly protective of domestic industries, so that consumer benefits are ensured.

##### 2. Promoting Effective Competition

###### a. Strict Enforcement of the Anti-Monopoly Law



To provide a better competitive environment, it is important to ensure that the pricing mechanism works efficiently, through the previously mentioned relaxation of official regulations, and the strict enforcement of the Anti-Monopoly Law.

#### i. The Systematization of Distribution

The continual, strict enforcement of the Anti-Monopoly Law is necessary to discourage actions which limit competition, such as restrictions on entering into and withdrawing from the system. When information networks are formed by system-affiliated manufacturers, systematization takes a firm hold. Therefore, it is vital to ensure that the system does not limit competition.

Once systematization has been effected, the impression is given that it is rigid and closed; this is viewed as a problem which affects distribution as an entirety, particularly by foreign enterprises. Therefore, stores which are part of the system should make efforts to handle imported products; foreign enterprises, too, should make further efforts toward actively developing distribution channels.

#### ii. Pricing System

Concerning the problem of price rigidity caused by the pricing system, the promotion and activation of market competition are important, but it is necessary to continually keep watch to ensure that manufacturers' pricing (suggested retail prices) is not accompanied by procedures which obstruct fair competition by imposing restrictions on distributors' transactions and resale prices. It is also important for manufacturers, distributors, and consumers to reassess their own behavior toward and awareness of ideal prices, sales policies, and business transactions and practices, and to establish comprehensive measures to deal with these subjects.

#### iii. Return System

The continual, strict enforcement of the Anti-Monopoly Law is necessary, to deal with unreasonable returns due to the abuse of a superior position. Even in cases where returns are approved by the concerned parties in a transaction, it is necessary to state the conditions, procedures and the burden of cost in such a transaction, in advance, in the form of explicit, written agreements, in order to ensure clarity.

#### iv. Sole Agent Import System

Strict enforcement of the "Approved Standards Concerning Unfair Business Practices in Sole Agent Import Agreements" (Committee on Fair Business Practices, 22 November 1972) is necessary. It is also necessary to make sure that parallel importation is not obstructed and, when an agent's market share corresponds to the standard of 25 percent for a monopoly, it is necessary to establish a screening mechanism to ascertain that the sole agent import agreement is not obstructing competition, and to carry out thorough inspections.

#### b. Reassessment of Business Practices in Conjunction with Internationalization

It is vital for Japanese enterprises to ensure that standards for business dealings and practices are clear and fair to foreign businessmen, in conjunction with the internationalization of Japan's economy, by putting them in writing. Also, efforts on the part of foreign businessmen to fully comprehend Japan's consumers and markets, and further efforts to gain access to Japan's markets, would be desirable.

#### 3. Promoting the Provision of Information to Consumers

Here, we are suggesting the provision, mainly, of information relating to domestic and foreign price differences, and information comparing the quality of products and services, as well as the further improvement of the ability of consumers to make choices.

#### a. Provision of Information on the Domestic and Foreign Price Differences of Imported Products

The reasons for domestic and foreign price differences may be considered to be the following: (a) regulations governing imported products, (b) density of distribution, and (c) the lack of information available to consumers and the operating strategy of sole import agents. In the case of (c), in particular, there are instances where products are supplied at prices vastly different from their market value in the country where they are produced. In cases like this, it is necessary to supply consumers with the corresponding price in the country of origin for the product, and not merely a comparison of price levels of domestic and foreign products.

#### b. Provision of Information Comparing the Quality of Products and Services

It is important to recognize that the volume of information is increasing at a pace exceeding the progress of consumer education. It has become increasingly difficult for consumers to compare the products of several manufacturers at one store, because of the systematization of distribution. Therefore, it is necessary to provide ample, objective information comparing the prices and quality of products.

#### c. Improving the Ability of Consumers to Make Choices

There is a limit to the number of products which can be covered in information provided to consumers and, with the continual appearance of new products and services, information soon becomes outdated. Therefore, it is essential to plan the further improvement of consumers' ability to make choices by selecting the relevant portions from the huge volume of information available.

#### 4. Promoting the Effective Dissemination of Information

#### a. Eliminating Centralized Dissemination of Information

Competition between enterprises is increasing, amid the increasing trend toward diversification of and changes in consumer preferences. Differences among enterprises in their ability to learn these preferences quickly and accurately are also increasing. There is also the possibility of the distribution market becoming an information oligopoly. Therefore, to foster market competition, it is necessary to improve the ability of small and medium-sized enterprises, which are generally seen to be in a disadvantageous position compared to large enterprises, to obtain and analyze this type of information. Also, since, as a result of the growing importance of information, this information may be controlled, prices may be manipulated, and undisclosed information may leak out, all of which go against the interests of the consumer—constant watch must be kept over this situation.

#### b. Consulting Services for Foreign Businessmen

It is important to maintain a system for consultation on such matters as the obtaining of information, and the explanation of Japan's official systems, so that the lack of information about Japan's consumer preferences does not weaken the competitive position of foreign enterprises, or make it difficult for them to enter Japan's markets.

#### c. Promoting Mutual Understanding of Distribution Policies, Both at Home and Abroad

To further mutual understanding, it is necessary to provide a mechanism for the open discussion of the views of concerned parties, both Japanese and foreign, on the reasons for the exclusivity of Japan's distribution system, on future distribution policies, and the position of overseas enterprises with respect to exports to Japan.

### 5. Creation of a Distribution System Environment

#### a. Formation of a Network to Receive Complaints about the Distribution System and to Provide Advice about It

As a part of the implementation of these measures, it is necessary to create a nationwide network for complaints and advice on the distribution system, which should be called "Distribution OTO" [Office of Trade Ombudsman]. Its function would be to furnish information, to provide prompt and appropriate solutions to complaints concerning distribution and importation, to provide consulting services when necessary, and to improve the efficiency of distribution.

#### b. Establishment of a Cooperative Purchasing System for Imported Products

In order to plan the promotion of imports, it is necessary to officially promote the establishment of a cooperative purchasing system for imported products, so that small and medium-sized retailers, which account for the majority of the distribution industry, can import products, and sell them at prices which are competitive in the domestic market.

### Highlights of the Report of the Seventh Distribution Problem Study Conference

#### I. The Distribution Environment

A. Japan's distribution system is facing a great upheaval, due chiefly to the diversification of consumption, a sudden increase in the value of the yen, internationalization, and the establishment of information networks. Guidelines to determine its future direction are needed.

B. The ideal structure of the distribution system is being vigorously debated, both at home and abroad—for instance, problems concerning distribution have been indicated as one of the causes for differences between domestic and foreign prices.

#### II. Themes and Purposes

At this study conference, we decided to propose measures which will lead to Japan's distribution system becoming an open, competitive one, and which will (1) enable consumers to make rational choices in this new phase, in which their needs have become diversified and individualized, and (2) establish a consumer-oriented distribution system, where consumer preferences are promptly and clearly communicated to producers, given the current distribution environment.

#### III. Evaluation Criteria for Changes in the Distribution System

Based on these purposes, we have established criteria for evaluating trends in the distribution system.

First, it is necessary to reduce the difference between foreign and domestic prices. In order to respond to criticism of Japan's distribution system, it is necessary to ensure that the system is open, both internally and externally, and that entry into the market, price setting, and stocking are free and competitive.

Second, amid the deluge of information, the content of which is not always objective, an environment is needed in which consumers, who have little ability to gather and process this information, can make rational choices.

Third, since consumer requirements are diversifying, it is necessary for businesses to be able to obtain explicit information about consumer preferences promptly, and that a channel be opened to communicate these requirements to producers.

Fourth, since it is anticipated that the gap between the information-gathering and processing ability of consumers, and that of businesses will widen, it is necessary for consumers to take an active part in establishing their own criteria for making choices and judgments, to comprehend the nature of information supplied to them, and to take rational action.

#### IV. Evaluation of Changes in the Distribution System

When we evaluate the direction of changes in Japan's existing distribution system in light of these criteria, we

observe some favorable underlying trends, such as increased competition and stability of prices. However, the existence of official regulations which are no longer valid in this era of social and economic change, the existence of business practices which have aspects which obstruct competition, and the existence of problems, such as the uneven and insufficient dissemination of information, are signs that these criteria are not being satisfied.

There are strong requests to solve problems such as those mentioned above, particularly with respect to price policy.

#### V. Toward the Realization of a Consumer-Oriented Distribution System

Efforts on the part of our government, businesses and consumers alike will be necessary, in order to solve these problems, and to ensure that the favorable direction of recent changes in Japan's distribution becomes established. The combined efforts of these three sectors may well lead to an open, competitive, consumer-oriented distribution system. This study conference envisions the main future roles of these three sectors as the following:

A. We ask that our government actively promote the relaxation of official regulations. We know from reports on administrative reforms that regulations are being improved, as in the case of regulations governing the distribution of rice, and that others are being studied, with a view toward their improvement. However, there are still regulations and safeguards which do not satisfy these criteria. If we are to further increase imports and encourage competition, it is necessary to plan the active relaxation or abolishment of these regulations, in accordance with changes in the market environment, without being swayed by vested interests. To give one example, it is vital to ensure the freedom of entry into the market and freedom to open branch stores, by rationalizing the enforcement of the Law Concerning Large-Scale Retail Stores, to enable consumers to make rational choices. It is also important to plan for the growth and internationalization of small and medium-sized businesses, which account for the majority of Japan's distribution, within a competitive atmosphere.

While relaxing regulations, it is also necessary to provide a more competitive environment by strictly enforcing the Anti-Monopoly Law.

Also, it is important to encourage the rationalization of information. If, along with the evolution of an information society, this rationalization is entrusted only to market forces, the information gathering and processing gap between businesses and consumers, the gap within the business world between large enterprises and small and medium-sized enterprises, and the gap between domestic and foreign businesses will widen. Rational choices on the part of consumers, and market competition may be hindered by the lack of information. Here, we suggest that the weak information position, which consumers and some businesses have in common, be

strengthened. And, in order to build a competitive force against a market information oligopoly, we suggest that measures be taken to provide information to consumers, to strengthen the ability of small and medium-sized enterprises to handle information, and to establish consulting services for foreign businessmen.

Furthermore, it is necessary to create an infrastructure to encourage develop-and-import schemes and parallel importation. For this purpose, measures should be taken to provide a cooperative purchasing system for imported products, so that small and medium-sized distributors can enter the importation route.

B. We ask businessmen to improve productivity and to reassess the way they handle business dealings, and their business practices. With regard to the former, this is particularly important in the case of small and medium-sized businesses. With regard to the latter, in order to adjust to the internationalization of Japan's economy, it is important (1) to allow freedom in price setting and stocking with respect to both sales and purchasing, and (2) to ensure the clarity and fairness of standards of business practices, so that they do not become barriers against the entry of foreign businessmen, while observing "Japanese rationality". It is also important to clarify agreements by putting them in writing. Furthermore, we ask that foreign businessmen not prejudge our consumer preferences, and business dealings and practices, but to thoroughly investigate the characteristics of Japan's consumers and markets, and to cause the results of this investigation to be reflected in their sales in Japan, and at the production stage in their own countries.

C. We ask consumers to establish their own standards for choices and judgments, to select the necessary portions from among the vast amount of information relating to products and services, and to acquire accurate product awareness, so that they can take effective action. For this purpose, objectively compiled information comparing the quality of products and services, and stating domestic and foreign price differences, should be provided to consumers, so that they can make rational choices. For instance, the insufficiency of information relating to domestic and foreign price differences is considered to be one reason for these very price differences. Therefore, it is necessary to expand such information, in terms of quality, quantity, and timeliness. However, it is up to the consumers themselves to use this information effectively. The fact that consumers' excessive demands for quality and service is one cause of rising prices, due to increased costs, must also be seriously considered.

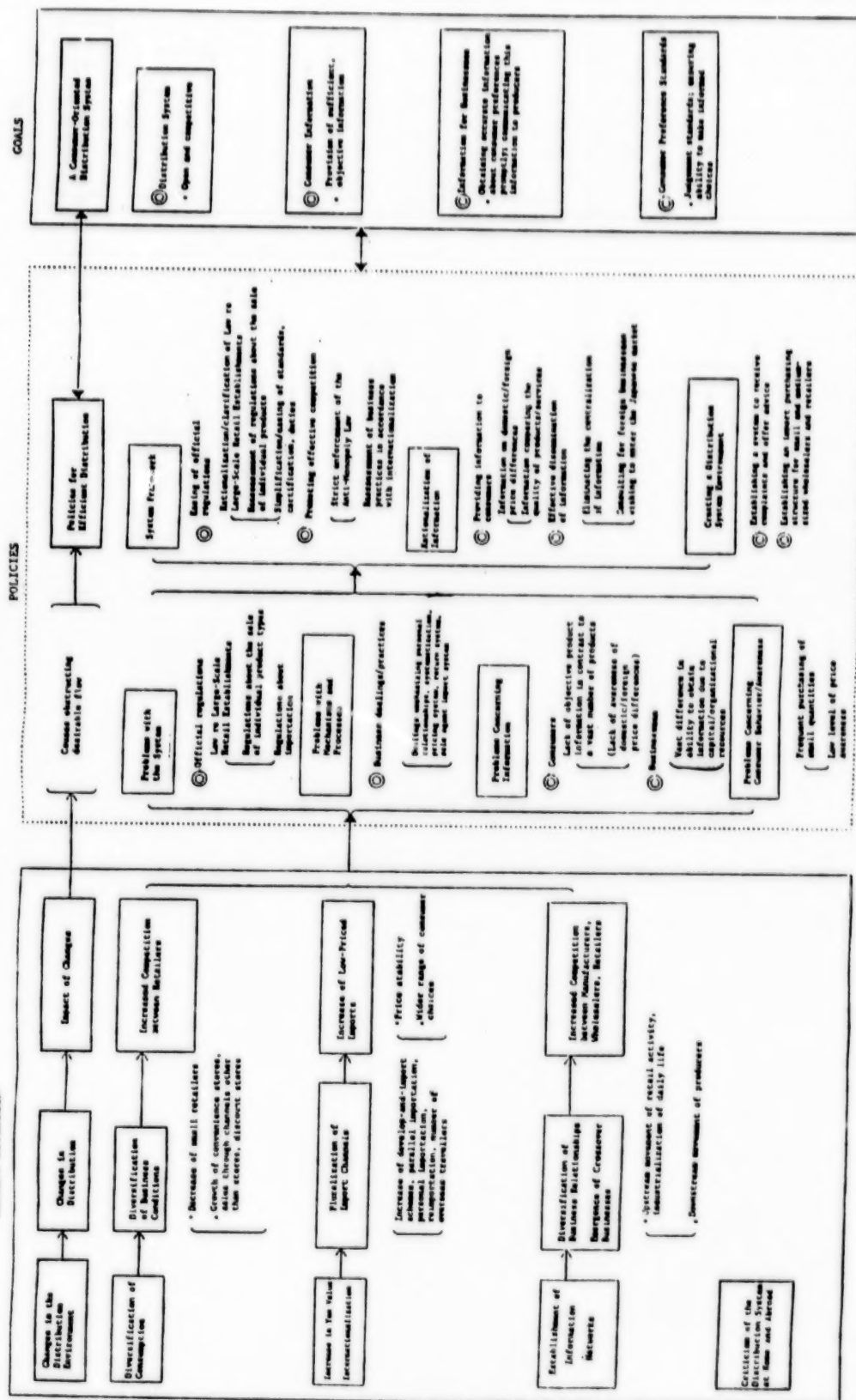
#### Minister Proposes Freeze on Consumer Rice Price

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[Text] Tokyo, Dec. 19 (Jiji PRESS)—Agriculture, Forestry and Fisheries Minister Michihiko Kano Tuesday proposed to keep the consumer rice price for the 1989



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crop unchanged at 18,396 yen, inclusive of the consumption tax, per 60 kilograms. In his draft proposals to the Rice Price Council, Kano also sought the advisory body's opinion on his plan to reduce the government selling price of wheat by 4.6 pct from next February. The council is expected to give its recommendations Wednesday.

The consumer rice price, at which the government sells rice purchased from producers, was lowered 3.7 pct for the 1988 crop. But Kano proposed the price freeze for this year's crop after the producer rice price, at which the government purchases rice from farmers under the food-stuff control system, was kept unchanged.

Though the Rice Price Council recommended a 2.55 pct cut in the producer price for the 1989 crop last summer, the government and the ruling Liberal Democratic Party (LDP) decided to keep it unchanged for political reasons ahead of the July House of Councillors election.

While deciding against any cut in the consumer price for the 1989 rice crop, Kano proposed lowering the consumer price of the 1988 crop, which became "old rice" as the new grain year started in November, by 1,030 yen per 60 kilograms to help clear inventories. The proposed reduction will reduce the standard retail price of blended rice to 3,741 yen per 10 kilograms, Agriculture Ministry officials said. If these proposals are endorsed by the council, the average household will spend about 10 yen less on rice a month and 31 yen less on wheat, they said.

#### **End to Abuses in Construction Industry Urged**

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[ASAHI SHIMBUN 19 December editorial: "Dango System Unfair"]

[Text] "Dango," or bid-rigging among contractors on public works projects, is one problem that everyone considers unfair and wants to eliminate.

"It is nothing but a serious crime that undermines the bidding system and invites unreasonable expenditures of public funds," said the Mito District Court in finding three senior officials of three construction companies guilty of rigging a bid on an Ibaraki Prefecture river-dredging project. The investigation of the case was encouraged by the media's anti-"dango" campaign.

Many people must have thought that the verdict was a matter of course and that stricter sanctions may be able to change the collusive nature of the Japanese construction business. With the United States growing increasingly critical of unfair Japanese business practices, the construction industry should seriously think about the ruling and make serious efforts to eliminate long-standing abuses.

Our criminal code provides for punishment of perpetrators of "dango" who aim to subvert fair prices or to gain unjust profits.

It is quite difficult, however, to prove the crime in some cases. There are questions as to what constitutes a fair price or unreasonable profit. Although the crime is an everyday affair, few "dango" cases have been prosecuted by the authorities.

The "dango" case in question involved an extraordinary trick, a behind-the-scenes joint venture. The bid winner, who was only the nominal contractor, a subcontractor that actually carried out the construction work, and a losing bidder agreed prior to the bidding to share the profits. Their combined earnings amounted to 25 percent of the value of the project, the prosecutors said in their final argument. Perhaps it was the blatant criminality of this case that moved the prosecutors to be so aggressive.

In the trial, both sides focused their arguments on the notions of fair price and unfair profit. The verdict defined the fair price as the value of the winning bid as decided by free and honest competition. The court ruled that this case of "dango" was clearly aimed at undermining the fair price because the accused had decided to make a bid over and beyond the price they had calculated prior to the "dango" meeting. In addition, the court held that the profits earned by the two firms that did no real work in the project were unfair.

The nominal contractor won the bid at a price quite close to the estimate conceived in advance by the Ibaraki prefectural government. According to the logic of the verdict, the price set by the prefecture was too high.

A senior prefectural official commenting on the verdict said that the officially estimated price was reasonable and that the Board of Audit did not complain about it. But isn't this logic strange? The public servants in charge of the project should review their methods of cost calculation and root out the errors. Their duty to the taxpayers is to sanction those responsible for any errors they may find.

In many similar "dango" cases, local government officials effectively have helped hide the abuse by setting estimates that include generous profit margins for the contractors. It is difficult to prosecute "dango" when the winning bid is lower than the government estimate.

Finding that the fair price is independent of government estimates, the Mito verdict is a stern warning not only to contractors but also to government officials. It has called into question the customs that have encouraged "dango," designated bidding and the system of government bid estimates.

It was only recently that the United States sought huge damages from Japanese contractors who used "dango" tactics in setting prices for U.S. Navy construction projects at Yokosuka. The claim was virtually settled

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when the Japanese contractors promised to pay. While the U.S. government shows this staunch loyalty to its taxpayers, here in Japan our government seems only to look out for the contractors.

Is it too much to hope that our government officials occasionally may take it upon themselves to file "dango" complaints and seek compensation?

### In Search of Politics Suitable for Super Economy

902B0020A Kyoto VOICE in Japanese  
Oct 89 pp 60-73—FOR OFFICIAL USE ONLY

[Article by Kimindo Kusaka, managing director of Software Economics Center]

[Excerpts] JSP Strengthened by Administrative Reform

The subjects for this article were pondered during my trip to Sakhalin, Siberia, Mongolia, and Beijing (after the Tiananmen Square incident) from 7 to 22 August.

My traveling companions were economic commentator Kenichi Takemura, political commentator Hisayuki Miyake, president of Ryukakusan Co Yasuo Fujii, Vanguard magazine editor Koji Kiba, and others. The living conditions that we experienced, such as the food, hotels, toilet accommodations, transportation, escort services, interviews, and so forth, were total reflections of the poverty and irrationality of socialism.

Yasuo Fujii stated that Khabarovsk, Irkutsk, and other Russian cities he had visited 30 years ago had not changed at all. Hardly any new buildings were to be seen, and even the maintenance of the social properties was of the same standard that was observed 30 years ago. On reflection, it was quite a praiseworthy feat at that time, but the lack of growth subsequently makes one wonder what is the matter. At a department store in Irkutsk, we saw a mother and daughter in line to purchase a notebook for use in school, which was to begin in September. Their faces brightened, reflecting their pleasure with their success, but this definitely could not be construed as a cheerful shopping scene.

This reminds me of the story when the Soviet press corps, which had followed Gorbachev into Beijing on 15 May, remarked: "On the occasion of visiting China, it was clearly understood that the shortage of goods in China is much greater than the shortage in the USSR. The fact is that no queues were observed." [passage omitted]

I am reminded of a similar story of a Soviet economic scientist who, on visiting Japan, remarked: "It was clearly understood that the Japanese people have no money because they are exploited by U.S. imperialism and Japanese capitalism. The fact is that even with an abundance of goods in the stores, no queue formations were observed." These observations are born from the conviction that queue formations always accompany spending. [passage omitted]

In January 1989, the USSR announced for the first time the country's GNP in terms of rubles; the calculation according to the official rate shows this sum to be \$1.9 trillion. This amount is almost the same as that for West Germany. This explains why Germany has recently and confidently accelerated its approach toward the USSR. Japan's GNP is \$3 trillion and that of the United States \$4 trillion, but such comparisons are not that meaningful. If the official foreign exchange should change next year to one-half, the Soviet GNP will be reduced to \$1 trillion.

This condition occurred because for 30 years the Soviets had sunk everything into achieving the thoroughness of welfare and the reinforcement of military strength. Sacrificed by being left in the background was "stepped-up production," and especially the "elevation of productivity" disappeared. Furthermore, "political freedom" also disappeared. Deprived of political freedom and the freedom of expression, the people lost their independence, and as a result their dependence on the state became strong and they turned into servile human beings.

These people finally realized their miserable plight and they began to engage in economic activities independently. They changed money at the grass roots level and, through administration, exported domestic resources, induced joint business, and quickly attracted tourists and offered night services [as published]. But the general public will certainly feel shameful about these activities.

Sooner or later, however, a jolting action like the Tiananmen incident will occur. The rise of nationalism or the doctrine of revering the ruler and expelling the barbarians is based on successfully winning the argument by flaunting the opponent with one flat statement that respecting and currying favor with foreign countries is wrong. When this outburst occurs, economic progress ceases. However, the sentiment of the conservative elements in the country will subside. But these people are not particularly enterprising workers and they prefer to do the same thing repeatedly.

If the same situations were applied to Japan, then the world of the former National Railways or the National Council of Government and Public Workers' Unions would be similar. In the Japanese economy, the organization with lowest productivity was formed in the National Railways and this body became the supporting force of the JSP. Its breakup was caused by administrative reform, through partitioning its components and privatizing them.

If the central systems of transportation and communication, such as the National Railways and the Nippon Telegraph and Telephone Public Corporation, were to be dominated by 19th century Marxism, it would be utterly impossible for the Japanese economy to proceed into the 21st century. The administrative reforms did not necessarily harass the minority parties, and unexpectedly the changes wrought strengthened the JSP.



It was interesting to see female candidates being openly supported and many being successfully elected, although the support from the National Council of Government and Public Workers' Union weakened, and the practice of choosing candidates from among the union leaders was abolished. As a result, support was gathered from a much wider people's front.

The JSP had seized the opportunity to change its status from a labor union political party to the citizens' political party.

#### The True Nature of Its "Distinction" Sought From The LDP

In judging the political shifts of this election, a much wider review must be made than considering only the Recruit scandal, sales tax opposition, or the idiosyncrasy of former Prime Minister Uno. The discussion must not be limited to an analysis of the loss by the LDP, but it must be an analysis of the JSP victory and its perpetuity, and at the same time it must be a review to gauge the future direction of Japan while it is caught in the whirlpool of the fast changes in the USSR, Communist China, the United States and the Asian NIES [Newly Industrialized Economic Societies].

Just about the same time when the USSR and East European countries, faced with economic failures, were about to abandon socialism, the JSP in Japan made tremendous advances, and so it is a strange contrast to see it taking votes away from the LDP.

The answer is probably a simple one, that the era of enlarging the economic pie probably occurs alternately with the era of impartially dividing the economic pie. The era of production and the era of distribution occur alternately. The USSR is aiming to enter the era of production, while Japan on the other hand is desirous of entering the era of distribution.

Strong interest in production is manifested by underdeveloped countries, whereas interest in distribution is mounted by economically successful countries. In addition, strong interest in production is manifested by men, whereas strong interest in distribution is manifested by women. For this reason, the arrival of the era of female legislators is understandable. Furthermore, strong interest in production is manifested by the young people, whereas strong interest in distribution is manifested by the aged people.

Therefore, the society of the aged people is one that emphasizes the impartiality and fairness of distribution, and also static stability. This sort of emphasis continues until one fully comprehends being overtaken in economic development by the other countries. In past history, England was such a country, and today it is the USSR.

Japan today finally reached the threshold of the era of distribution, and because of its economic success (including the price increase of land and stocks), the

concern toward distribution has heightened, as represented by the women and the aged.

The defeat suffered by the LDP is attributed to the lack of adequate guiding principles during the shift from the production to the distribution era. It can be said that even if the LDP wanted to, it could not formulate such principles.

The LDP could not formulate guiding principles because, as a result of the long-term hold of government power, intermediary dealers were established at every route of distribution and the structure of vested rights became fixed and internalized. This system led to the birth of factional Dietmen and also brought about the system whereby corrections to the inequality of the single vote could not be made.

The biggest criticism made by the people was the "secret chamber politics of the elder politicians." For the past 20 years, Japanese politics has been determined wholly by consultations between elder politicians of the factions, and the people were utterly ignored. Moreover, the people were not informed about the true meaning of the issues. They began to wonder if the decisions in the secret chambers were prioritized on raising political funds or on matters useful in gathering votes, but this doubting is called a distrust in politics.

These factors were understood by the LDP Dietmen who could not say anything since they themselves ran as candidates from within this organization and had obtained funds, votes, and ranking from within this structure. Since they repeatedly did the same thing and did nothing else, the LDP was called the "myself party" and also "metal fatigue."

It was only natural for whips to be applied from the outside to a group lacking the power of self-ablution. For the people, this meant punishment.

The LDP's big loss at this past election are attributable to such causes as the Recruit scandal, the sales tax, female involvement, and so forth, but if each cause was debated individually, there would be respective reasons and bases that would not disastrously affect the situation as it did to this extent. But the cry that punishment is necessary now was the voice of the people, and in the final analysis this voice focused as criticism of the "secret chamber politics of the elder politicians."

Then what phase of the secret chamber politics of elder politicians is bad?

The social strata will fractionate in a country operating with advanced economics and living under democracy and liberalism. Politics will try to respond to the demands of the various strata, or at least it must go through the motions of responding. As a result, the government will gradually expand into a large government. Because a large government can be relied on for accommodations, requests will pour in continuously, resulting in the birth of interest and pressure groups.

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The practice of wheeling and dealing will occur. Such horse trading as none this year but definitely something next year, or shaving off this section and in its place approving that section, began to accumulate with each year. Hereupon, politics by elder politicians was generated. Elder politicians are people who are believed to remember all the wheeling and dealing transacted over the many years and to unfailingly settle the accounts. In other words, the wheeling and dealing of secret chamber politics led to the creation of elder politicians. Recently, because of the shortage of elder politicians, politicians have even been drawn from second-generation politician families.

The debate on supporting younger candidates is very strong within the LDP, but the root of this issue is not on the elder politicians, but rather on the nature of the secret chamber. Neither Uno nor Kaifu could gain popularity because they are younger politicians who emerged from the unchanged secret chamber arrangement. As for younger candidates emerging from the second-generation families, the people feel that this is rather an appearance of super elder politicians, that the younger politicians are clone politicians. This is connected with the privatization of national authority.

From the standpoint of criticizing the secret chamber arrangement, the international censure of China's aged leadership group, the Solidarity rollback toward the one-party dictatorial control by Poland's Communist Party and the movement to introduce the multiparty system through Gorbachev's *perestroika* all definitely have something in common. In other words, this is a new worldwide trend.

Originally, the desks occupied by the prime minister and the cabinet ministers were entrusted for their use by the people. Even if the drawers are stuffed with memorandum books dating back many years or with a thick stack of bills, in the final analysis the people will be paying the bills or the people will be the recipients of the items; therefore, it is good to change governments periodically and to allow others to look into the drawers.

The new person to occupy the desk may be incompetent, but even so, it would have the effect of destroying the secret chamber arrangement and breaking up the bad customs of wheeling and dealing over a long period and of passing the buck.

Basically this is the sort of change that would serve as the distinction demanded of the LDP, and such arguments as bolting from the party because of the Recruit scandal or completing ablation if the candidate is successful in the next general election is going too far in making the issue an individualized one. Since the problems with the sales tax are a breach of public pledge and a lack of preparation, the notion of reviewing and readjusting these areas and once more presenting it for baptism in the election is going too far in making it an individual policy-changing issue.

If such actions are taken, the people will certainly not get the impression that punishment has been meted out. Sought by the people is the abolition of secret chamber politics, but because of the lack of self-ablution, the votes are being transferred immediately to the other parties.

The Dietmen's Badge or a Retirement Allowance of 2 Billion Yen

If the following matters are considered, even the format of a desired political reform can be envisioned.

First, what should a Dietman do to free himself from faction pressures, formulate his own policies, and present them to the public for debate? On this point, the minority parties are more uniform than the LDP. This is because the opinions and individuality of each Dietman are not definite.

In the very near future, it will probably come to pass that the people will be disappointed at the various minority parties for engaging in secret chamber politics on a grander scale than the LDP.

Second, a reduction and revision in the fixed number of legislators should be sought. The reduction in the fixed number of legislators is related to the retirement of the elder politicians and a revision of the inequality of the single vote makes the election of a rookie politician from the greater metropolitan area a possibility. But this is not achievable even if these changes are expected as proposals from the Diet itself. Since this is almost like one strangling himself, in order to see its realization, it is believed that at this time the people must be stingy.

For instance, consider this plan.

The fixed number of Lower House Dietmen would be reduced to 200 persons. At the same time, the inequality of the single vote will be canceled from this plan. Which means that in the next general election, there will be 200 elected legislators and a number of losing candidates. To the latter people, a retirement allowance of Y2 billion will be paid per person. The total budget will be in excess of Y200 billion.

It is interesting to note that when this plan was broached at an LDP gathering, quite a number of the people applauded. Then when this proposition was discussed with former high ranking officials of the Finance Ministry, their reply was that this is an inexpensive proposition and that with each decreasing legislator, the people will definitely gain more than Y2 billion. Their reply was that this brilliant plan should be realized immediately.

Since a large number of losing candidates are expected from the LDP today, it is believed that the time is ripe to realize this plan. However, it is probably difficult for a Dietman to propose it. The people's sentiment is that Y2 billion is an extremely large amount. However, if more benefits can be gained, then the people should not wait forever, and it would be better if the plan was executed immediately. Then the question is how many billion yen is needed to induce a Dietman to submit a proposal

which would be like strangling himself. So at this time I would like to say that if the people are stingy, a big loss would be incurred.

Third, the people should think about reconstructing the Diet Building.

Just as the saying goes that man is a creature of his environment, a change of dwelling or living room can change one's feelings. During the time when all of Japan was a burnt-out plain, the red carpet was spread only within the Diet Building, but in focusing respect on politicians and inducing a sense of responsibility when elected to be a Dietman, it is believed that this red carpet created a tremendous impression. But today the red carpet alone is no longer awesome. Frankly speaking, the entire Diet Building, which was built in 1936, is antiquated. With such a building, the fear is that topnotch personnel will not aspire to become politicians. The Diet Building must be rebuilt in the very near future.

Of further importance is the redesigning of the interior of the Diet Building.

The seating arrangement within the building shows the power structure or the power relationship of classes of people of that period, but what is interesting is that the building itself portrays the human relationship existing within. When the monarch is powerful, the throne can be built high, big, and pompous, but once this throne is built, then the successor who sits there becomes powerful and his predecessor unwittingly declines into a puny being.

The present Diet Building was built under the Meiji Constitution and therefore the relationship of the emperor, speaker of the Lower House, government bureaucrats, and Diet members is expressed, just as in the past, in the seating arrangement and structure. Because the same building has been used continuously, there is the distorted feeling that the relationship between the state and Diet members and mutually among the Diet members cannot be maintained so easily as described in the new Constitution.

If the Diet Building is patterned after that of the British where seats are not assigned to each member of Parliament, where seating is on a first come, first serve basis, and where latecomers who cannot find seats sit in the aisle or stand in the back, then debating will probably be closest to its true meaning. Instead of having the government bureaucrats sitting on tiered platforms and the Diet members sitting in what appears to be the spectator section of a theater, the Diet members, like the British, should sit on sloping galleries on both sides of the room and the government should be seated at the low, center section of the room to reply to interpellations. If legislative action is conducted in this manner, democracy can probably be experienced. Since the land is already provided, the total cost of the building will be under Y100 billion.

Theoretically, it might be odd to suggest that the realization of political reform begins with the construction of a new Diet Building, but there is great significance from the practice of human psychology. If, with the expenditure of less than Y100 billion, discussions on ambiguous contents of so-called "Diet interpellations" can be avoided, then this is an inexpensive investment.

Furthermore, during the period that the Diet Building is under construction, various facilities throughout the nation can be used, for it would be nice to convene a mobile Diet. It would certainly be like moving the capital city. Working on the design of the new Diet Building, after convening the Diet at the various establishments with various procedures, should be considered.

More than delving into political reform itself, the above narrative rather describes maintenance of the peripheral conditions. It is like treating certain medical problems with herb medicine.

Japan Has Entered the "Aristocratic Consumer Society"

It is often said that politics is third class and economics is first class, but in thinking along this line, economics is actually super first class.

First class refers to that state of success in "industrialization" achieved after the industrial revolution begun in England, when export competitiveness was maintained and when the people's income per capita was high, but Japan's industrialization, which served as the basis for achieving today's economic success, is considerably different from the so-called "industrialization" which England developed as a model and which the United States made immensely successful. It is so different as to warrant calling it the "second industrial revolution," and all the more because of this situation, it is believed that Japan's deluge of exports is endless.

In describing the differences, the industrialization achieved by England during the first industrial revolution was the "mass production of standardized goods." At that time, standardized goods signified reliability and mass production meant cheap prices. Today industrialization appears to mean achieving standardization, more mass production, and lower prices, but at that time, a deeper meaning was expressed even with "reliability." At the same time, the meaning of "highly advanced" accompanied it. More than manually manufactured goods, industrially manufactured goods were reliable and highly advanced.

The United States executed industrialization on a gigantic scale and as a result there emerged a "society for consumption by the masses." People may live with the same processed foodstuffs, the same automobiles, the same kind of clothing, and in the same kind of prefabricated houses, but it was in the 20th century that people lived in more exceptional prosperity than at any previous time.



If the setting were in Japan, a white collar worker could mistake his own home in a government housing area, mistakenly opening the door to someone else's home, yet confront the same room arrangement, see the same kind of footwear at the entrance, and notice the same National brand refrigerator and Hitachi air conditioner in the kitchen. A lifestyle in which you wonder why only the woman of the house is a different is found in the society for consumption by the masses, and this is the pride of the United States and what the world had aspired to.

Japan has undergone that sort of lifestyle, but today things have changed. Japan passed through that era at an accelerated pace and entered a new phase called the "mass production of customized goods." It is industrialization whereby mostly customized, and not standardized goods, are manufactured at the factory. In other words, Japan was in the initial stage of producing small quantities of a multi-variety of goods or a diversification of the menu. In due time, a production structure to hold down costs, even with the production of small quantities of a multi-variety of goods with the systematic use of computers, was created and popularized. This is called the FMS (flexible manufacturing system).

In the case of Japan, this system has spread to subcontracting medium and small enterprises and related industries throughout the nation, and therefore the creation of new products is extremely easy. Even with the service industries, the maintenance of an FMS type supply order for customized goods has advanced and so today the Japanese take it for granted, leading a lifestyle complete with customized goods and receiving customized services.

This transformation is the so-called second industrial revolution and it is believed that the Japanese society has graduated from the society for consumption by the masses to enter the "aristocratic consumption society."

In other words, because Japan is ahead of the world by one or two steps with the customization of goods (also called "niche"-ization), consumers throughout the world can no longer stop buying Japanese products. Put simply, the economics is super first class.

Incidentally, who are the people fully enjoying this super first class lifestyle? Firstly, they are the young people who are called the unmarried aristocrats.

The second group are women with the appearance of female aristocrats, those who remain single being known as "obatarians" [self-centered, insensitive, annoying middle-aged women]. A review of comic books will reveal that until recently, obatarians were ordinary people. Middle-aged women were all said to be obatarians, but they were suddenly given prominence as a minority group with their appearance in comic books.

The third group are the ones who survive on government subsidies or rely on protection policies of the government. They devote themselves to political movements,

but normally they do not engage in economic activities like bowing directly to customers. But they somehow maintain their aristocratic attitude.

#### When the LDP Discards the "Account Records"

The introduction of this article has been lengthy, but in reaching an understanding of Japanese economics, one can consider it strange that, while the economics are super first class, politics is in a different world and is third class. This is true and even politics is forced in a desperate effort to respond to the demands of the Japanese masses who are the same "nouveau aristocrats."

But the politicians have already reached the limit. The demands of the masses will be fractionated and specialized all the way, but with the account records type conduct of the elder politicians, sensitive politics beyond the present form can certainly be executed.

Secret chamber politics has reached its limits. What is required is a reform program in which information must be publicly shown, authority must be assigned to the lower echelons, and "sensitive" areas must be entrusted to the people themselves for their independent decisions. These issues are certainly the same as those agonized over by people entrusted with tremendously powerful national authority or a bureaucratic system, such as Gorbachev or Zhao Zi-yang.

With differences in degrees as well as with differences in wealth or poverty present, if the same political reform in China and the USSR is sought in Japan, Japan's politics can definitely be said to be third class or it can be said to be first class along with China and the USSR [as published]. Indeed, if the Soviet leaders are aware of the fact that the bureaucratic administration cannot cope with the administrative demands of the sensitive people, and if the people of Japan are not yet aware of the same fact, then in this respect Japan would rate third class.

In order to adjust themselves to the markets of customized goods, the Japanese factories systematically use computers to convert to the FMS. The same kind of reform is sought even for politics.

Moreover, in order to adjust themselves to the rapidly progressing diversification of the customers' demands, Japanese companies are promoting the departmentalization of the company and adopting the merit system in the treatment of employees, but in comparison with these amenities, the present state of politics has truly remained unchanged.

The solemnly observed practice of the seniority system, such as two successful elections to be a parliamentary vice-minister, four successful elections to be a committee chairman, and six successful elections to be a minister, is older than the world of the salaried worker.

In the case of private business, this type of seniority system has been solidly continued with companies which have no competition or have not gone bankrupt. They

are the monopolizing big businesses and the stable public enterprises, and perhaps the LDP was certainly in the same sort of situation.

From the standpoint of customized politics, LDP politics heretofore dealt more than adequately with sensitivity to the demands of one segment of the people. This segment relied on subsidies or regulations, and they became the political aristocrats.

Although the operations were conducted with account records, customized politics was popular with this strata of people. But what is sought now is the resolution of the difficult problem of whether this sort of treatment can be spread to all the remaining strata of people. Having been heretofore neglected, these remaining strata of people have begun to ask whether customized politics will be extended to them also or whether dealing sensitively with only the one segment of the people will be stopped.

Responding to these questions will be Japan's political reform, believed to be by the responsible ruling party, but in reality the situation is progressing at a slightly lower dimension. It is regrettable that they have dropped the reins of government and are waiting for the opposition to fail and thinking only of the party's victory over the opposition.

Rather than the above action, we hope for something to challenge the issue of creating 21st century politics that will be suited for the second industrial revolution.

Secret chamber politics of the elder politicians, which is based on account records, has had bad results in the USSR and the East European countries, but on the other hand it was satisfactory in Japan. But in either case, today the demand of the masses is for a change to politics with participation by all members of the public.

#### \* Improvement in Consumer Benefits Questioned

902A0013 Tokyo SANKEI SHIMBUN in Japanese  
8 Oct 89 p 5—FOR OFFICIAL USE ONLY

[Commentary by SANKEI editorial committee deputy chief, Yukichi Yagishima: "Japan-U.S. Structural Consultations Raise Many Questions"]

#### [Text] The People Look Forward to Foreign Pressure

"Although Japan is said to have become the world's greatest economic power, the individual's lifestyle has not improved to any great extent. Perhaps the majority of the people want 'foreign pressures' to reform the social system."

A high USTR [United States Trade Representative] official, who lived in Yokohama for about a year and commuted daily to work in the Kanda district on the Keihin [Tokyo-Yokohama] northeast line, said this to me just before the beginning of the summer.

In the past, Japan always followed the lead of other nations and was not a standout nation, so to speak.

Regarding Japanese-U.S. relations also, it could be said that Japan looked to the United States, but the United States seldom looked toward Japan. However, the trend during the past several years indicates that this myth is rapidly diminishing.

Exasperated by Japan, which appears undaunted by the Super 301 clause (retaliatory measures based on unfair trade practices), the U.S. Government has thrust forward demands for the reform of Japan's high savings rate and complex distribution system, and even the reform of the land system, under the guise of structural adjustment consultations.

Dissatisfaction with Japan in the United States has grown enormously, and the content of the dissatisfaction has also changed.

For example, THE NEW YORK TIMES, which had previously advocated free trade and showed understanding toward Japan, stated in an editorial about a month ago: "Japan is a nation detached from Western democracy, where bureaucrats unbaptised in elections engage in decisionmaking." It has finally come up with the theory that Japan is unique. This may be considered regrettable, but the impression is that matters have finally come to this point.

#### Differences in Views Regarding the Trade Imbalance

From the standpoint of the United States: (1) Despite the downward trend of the U.S. trade deficit, improvement of the deficit vis-a-vis Japan is lagging, and the deficit share has risen to 50 percent; (2) The trade balance with the EC [European Community] has reverted to a surplus. (3) Dissatisfaction on the U.S. side based on the trade imbalance has become a social problem, as indicated by a variety of public opinion polls. (4) There is pent-up dissatisfaction that Japan is insensitive regarding any correction of the imbalance.

On the other hand, when the United States is viewed from the Japanese side: (1) The impression is that, while the Reagan administration realized a politically "strong America," there is a mixed feeling of reluctance to recognize any economic decline; (2) There is an adherence to its position as number one that refuses to recognize Japan's national power based on its progress in high technology and financial wealth; (3) Even a racial element lies in the background of the trade imbalance, as indicated by the antagonism among the people concerned in Washington; (4) The spread of an "argument for containment of Japan" is seen with the rise of revisionists.

The United States contends that "Japan's unfairness is to blame" for its own decline, and recent U.S. actions are viewed by Japan as "unfair play that is devoid of reason."

However, on further consideration, both "fair" and "unfair" are subjective expressions. Both nations determine that their own standards of value are absolutely

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correct, and decide "fairness" and "unfairness" by applying those standards. They cannot be considered to be proper gauges in the handling of structural problems in different cultures. One cannot help wondering whether there might be alternative standards for judging.

#### What Is the Essence of Structural Consultation?

Let us reconsider the points regarding the essence of structural consultation.

The first question is: "Should improvement measures concluded by structural consultation be implemented by the government, or by the private sector?" At the Kaifu-Bush meeting in September, an item stating "within the scope of government administration" was added as a condition for consultation. Subsequently, at the first consultations held in Tokyo, the U.S. side repeated such statements as "although reference is made to the scope of government administration, it is a matter of intent," thus demanding the exertion of influential power by the Japanese Government over industry, or a "Japan, Incorporated" type of effect.

Meanwhile, the influential *ECONOMIST* of London analyzed the structural consultations as follows: "Under the present circumstances for the Kaifu cabinet, whether it concerns the taxation of farmland within urbanized areas on an equal basis with residential lands, or whether it concerns consultation among construction industry circles, the Japanese Government will probably end up being unable to do anything."

If that is the case, the possibility will probably arise of such pending matters as distribution, corporate affiliations, stable stockholders and domestic-foreign price differentials being totally left up to the corporate side—that is, the private sector—for solutions related to the easing of controls.

For example, in case an inquiry is conducted regarding Japan's stable stockholder system and the answer turns out to be "negative," the company's stockholders will release its stocks into the market, and the stock price may drop. As a result, the stock's ratio of return may fluctuate wildly and bring a drastic change in the company operations.

Another question is: "What on earth is the 'consumer benefit' that is frequently emphasized by those concerned in both Japan and the United States?" Last year, former Secretary of Commerce Verity visited Japan accompanied by more than 15 representatives of U.S. industrial circles, but his sales effort in Japan ended in failure. It proved that a major gap exists concerning the needs of the consumers in Japan.

MITI [Ministry of International Trade and Industry] advocated an import promotional tax system as the show piece of imports expansion next year, and its tax reduction scale is between ¥30 to ¥40 billion (less than \$300 million). Japan's product imports total ¥100 billion

annually. Therefore, the share is a mere 0.3 percent of the total. Its effect is highly questionable.

The government will probably persuade the companies to import U.S. products. However, in the case of the companies, the mainstay imports will probably consist largely of semiconductor components and products. Passenger cars made in Detroit cannot be expected to sell very well in the Japanese market.

The profits of the major companies will not necessarily translate directly into consumer benefits. There is concern that the consumer benefits stressed by Japan may end up as a "major fantasy."

#### Paper Calls for Review of Defense Buildup

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in English 14 Dec 89 p 3—FOR OFFICIAL USE  
ONLY

[Editorial: "Indefensible Defense Buildup"]

[Text] Perhaps because of the impact of the Malta summit involving U.S. President George Bush and Soviet President Mikhail Gorbachev the world centering on Eastern Europe has been shaking violently.

Out of such upheaval, however, things that might be called common recognition between the East and West have been born. One such recognition is that East and West mutually should reduce the degree of dependence on arms.

In fact, the United States and the Soviet Union have been active in arms reductions, and the talks to reduce conventional armed forces between Eastern and Western Europe—which had been considered extremely difficult—is on the right track. Partial withdrawal of U.S. and Soviet troops stationed in foreign countries is under consideration.

Japan is preparing next fiscal year's budget which starts in April 1990. According to news reports, the 1990 defense budget is expected to grow 6 percent over that of 1988 to top ¥4 trillion for the first time.

Japan's posture to increase defense expenditures when the world tries hard to lower the threshold of war leaves a strong impression. It is natural that some people ask why Japan alone is moving down the path of a military buildup.

To such voices, Prime Minister Toshiki Kaifu's government stresses the importance of a defense buildup. The Ministry of Foreign Affairs says: "Unlike Europe, there is no essential change of the military situation in Asia." The Defense Agency's posture is that "the military situation in the Far East is unlikely to change immediately or radically."

It is obvious that the military situations in Europe and Asia differ, and nobody considers the possibility that the military situation in the Far East will dramatically



change soon. In fact, the U.S. and Soviet forces—their navies in particular—in Asia and the Pacific remain enormous.

Still, we cannot justify Japan's lone move to increase defense expenditures at such a rapid pace.

It is too facile a conclusion to say that Japan should expand its military because security in Asia is different from that of Europe. It is required that Japan compare and discuss the differences and consider options before discarding them by saying the situations are different.

It is unlikely that the military situation in the Far East is a permanent one. Arms reductions by the United States and the Soviet Union have, for economic reasons, reached a point where they cannot go back. There is no point in saying persistently that Asia will not be affected by the movements of the two countries.

It is regrettable that both the Foreign Ministry and the Defense Agency maintain "Asia is different," without showing positive suggestions for changing the military situation in Asia.

Europeans spent a long time working for fruitful results in arms negotiations by building a framework on which they can work toward abolishing intermediate nuclear forces and conventional forces. But when it comes to Asia, almost nothing has been done on the pretext that alliances among Asian countries are very complicated.

It is difficult to deal with arms reduction in Asia. But it further adds to the problem if the Japanese Government thinks it can avoid facing up to the issue by emphasizing differences between Asia and Europe.

In Europe, the two military blocs have been forced to change. Arguments for their military presence appear to be weaker while their political purpose seems to be stronger. We don't think that such trends are confined to Europe. We had better think that the current European situation will affect the security treaty between Japan and the United States. The international framework created after World War II is about to be disassembled. The Japan-U.S. Security Treaty is part of that framework. Thus, Japan's national security is not immune to changes in Europe.

#### \* Defense Agency Moves To Recruit More Women

902B0022A Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 5 Oct 89 p 2—FOR OFFICIAL USE  
ONLY

[Text] Since recruiting new personnel into the Japanese Self-Defense Force [SDF] is becoming more difficult every year, the existence of female SDF personnel is suddenly being noticed more and more. This is because the time is ripe for actively appointing women and for having them contribute to the forces' fighting strength. The Defense Agency is making strenuous efforts toward the goal of increasing the number of woman SDF personnel (in general occupational fields) to 5,000 by the

year 1998. However, this will require female barracks. And there are difficult challenges such as how to handle personnel policies concerning these female members' life cycle of marriage/child bearing/child rearing. It does not seem that it will be easy to expand the range of places where women can play active parts in the SDF which are, so to speak, a quintessence of the "male world."

The Ground, Maritime and Air Self-Defense Forces each has female personnel called respectively WAC (Ground), WAVE (Maritime), and WAF (Air). The number of [female] personnel at the end of March of this year was as follows: 1,046 nurses, 35 medical officers, and 3,084 general occupational field personnel, making a total of 4,924. In order to reform the SDF, which had been closed to women, and to accommodate the trend of women entering the work force, the Defense Reform Committee within the Defense Agency worked out a policy during fiscal year 1986 to increase the number of general occupational field female personnel to 5,000. Since the last half of fiscal year 1986 when there were 3,200 women in general occupational fields, the number of female Self-Defense personnel has been steadily increasing.

Recently, women have made inroads even into such positions as air traffic controller (Ground SDF), ship's communications chief (Maritime SDF), and watch controller on radar site duty (Air SDF). Excluding direct battle duty positions such as the Ground SDF regular troops, the Maritime SDF warship and submarine personnel, and the Air SDF pilots, 77 percent of the occupational fields of the Japanese SDF is open to women. There also are [female] executive officers such as Colonel (equivalent to colonel in the former Imperial Army) Ryuko Tanabe of the General Affairs Department of the Department of the Inspector General for the Ground Self-Defense Force Eastern Army. Back in 1954 when the Japanese SDF was established, the only female profession was nurse. As female Self-Defense personnel have become the order of the day; one [male] executive officer expressed his feeling that, "I feel I'm in a quite different age."

Therefore, as part of a personnel development measure to maintain SDF strength after fiscal year 1991, there are opinions such as, "If it is difficult to recruit capable male personnel, why don't we radically increase the number of female Self-Defense personnel?" However, within the Defense Agency it is the majority view that it is difficult to increase the number of female Self-Defense personnel in a single standardized way. A top-level executive of the Defense Agency points out that "female personnel rarely develop to become part of the fighting strength because we manage them thinking that they probably will quit when they get married."

In order to increase the number of female Self-Defense personnel, it is necessary not only to provide facilities such as barracks but also to strengthen the special teaching staff for women. There are some posts, such as the general affairs department, where things would not

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change at all even if all the personnel were women. However, some say that it is not desirable to bring in too many women, who could not participate in battle, because the SDF would appear to be at full strength when in reality it would still not have enough manpower.

SDF personnel cannot avoid transfers. However, one top SDF official recognizes the difficulty of handling female personnel saying, "If they marry a local man, we can't find it in our hearts to transfer them." The Japanese SDF does not have facilities such as day care centers. It is a fact that there are still many restrictions for female SDF personnel in continuing their work after marriage.

The SDF is not the only occupation in which women have been slow to get into. Even at the Defense Agency's civil service intraministerial bureau, its first career woman executive candidate was appointed [just] this year. The National Defense Academy, a training institution for SDF officers, also is examining the possibility of accepting female students. However, the proposal is up in the air at present because of strong opposition views from those involved that, "giving commands during battle is not suitable for women. It would present problems in maintaining a strong morale."

A woman SDF member, who was raised in an SDF family and joined the SDF because she "liked it," stated with a cool look on her face that "although we are SDF personnel the same as men, we are to be engaged in support duties behind the lines in times of emergency, because women can't be on the frontline. Considering this fact, it can't be helped that there is a smaller number of female personnel." The chief mission of the Japanese SDF lies in combat action to check the enemy's advance at the first line, in case Japan is invaded. Regardless of sex, it is a common feeling among Self-Defense personnel that "the SDF is a male-centered world."

Under such circumstances, the future task for the Japanese SDF will be to determine how to increase the ratio of female Self-Defense personnel. For instance, in the American Armed Forces, while there are no female fighter pilots, women think nothing of operating transportation planes. An officer in the Japanese Air SDF emphasizes that "there are women capable of becoming transportation plane pilots in Japan, too. In this generation, it is necessary to continue to examine such possibilities." In raising the position of females in the SDF, the issue seems to be one of both how far women want to go, as well as reforming male thinking.

#### U.S. Requests Aid for Super Collider Project

OW1912064589 Tokyo SANKEI SHIMBUN  
in Japanese 15 Dec 89 Evening Edition p 4—FOR  
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[Text] According to a government source on 15 December, the United States has requested a colossal sum of more than \$1 billion (around 145 billion yen) in assistance for its project to build a super elementary particle accelerator, the superconducting super collider

"SSC," which it hopes to complete by 1996. The U.S. side is expected to send a government mission to Japan early next year to explain the details of the plan. However, Japan has also been making its own plans for research in accelerators and the government is baffled by this sudden request for funds.

An elementary particle accelerator is equipment that is used to accelerate electrically charged elementary particles by electric pressure and effect a collision of these particles for the purpose of conducting experiments on atomic nuclei and elementary particles. Most existing accelerators are shaped like doughnuts. Presently, there is a race to build bigger accelerators in order to upgrade acceleration capacity.

The biggest existing accelerator in the world is the "LEP" [Large Electron Positron] which has just been completed by the Conseil European Pour la Recherche Nucleaire (CERN) on behalf of the European countries this year. It has a diameter of 8 km. The SSC is planned to have a much bigger diameter of 26 km, and its circumference will be twice the length of the Yamanote Line in Tokyo.

Former President Reagan approved this project to build "the world's biggest accelerator" in 1987 under the slogan of "maintaining U.S. superiority in the basic sciences." In November 1988, incumbent President Bush's home state, Texas, was chosen as the construction site.

According to the U.S. Energy Department's estimates in 1988, total construction cost is expected to reach \$4.4 billion (around 630 billion yen). According to the plan, the U.S. Federal Government, the state government, and foreign governments are each to bear one-third of the cost.

However, although the Government of the State of Texas, where the construction site is located, has already decided to allocate \$1 billion, the Federal Congress has approved only 225 million yen in the fiscal 1990 budget. Moreover, as to the state of the all-important funding commitments from foreign governments, so far only India has stated its willingness to contribute \$5 million.

Foreign governments are not enthusiastic about the SSC because each country has its own projects. In particular, the major European countries are preparing for the CERN's "LHC [Large Hadron Collider] project" to build a bigger accelerator than the "LEP." They have not reacted at all to the U.S. request for cooperation.

#### New High-Definition Television Chip Developed

OW2012105889 Tokyo THE JAPAN TIMES  
in English 19 Dec 89 p 8—FOR OFFICIAL USE  
ONLY

[Text] KDD, the international telecommunications company, has developed a single microelectronic element on a large-scale integrated circuit for transmission of high

definition television signals, teleconferencing and television-telephones, a KDD official said.

The microelectronic element can code the television signal for transmission, permitting 400 million picture elements to be transmitted 25 percent faster than with conventional chips, the official said.

The new, low-cost chip can also be used for sending still video pictures via a computer over an integrated services digital network and a video data filing system. The setup will permit storage and retrieval of pictures in an optical magnetic memory disk drive.

The chip was developed using KDD's signal coding technology, which was used to create the company's television-telephone system invite 64 in 1986.

Japan Board Computer Co., an affiliate of KDD, will begin marketing the microelectronic devices around April at Y60,000 each, the official said.

#### **Companies Develop TRON 'Intelligent House'**

OW1712125589 Tokyo ASAHI EVENING NEWS  
in English 16 Dec 89 p 5—FOR OFFICIAL USE  
ONLY

[By Koichi Nakagawa, ASAHI SHIMBUN reporter]

[Text] A group of Japanese companies have built an "Intelligent" house in Tokyo run by computers that perform such mundane tasks as opening and closing windows and turning off unnecessary lights.

The experimental home, part of Japan's ambitious TRON project, is a working showcase for what home automation could achieve in the near future, officials of the companies involved in the project announced recently.

Loaded with the most advanced electronic devices, the house is designed to provide the utmost comfort for the residents, according to the TRON concept Intelligent House Research Committee, an 18-company organization that built the house.

Among its many features, the house performs such tasks as automatically opening and shutting the windows and adjusting the air-conditioning according to the weather and the number of people in the room.

Established in February 1988, the committee worked on the house under the direction of Ken Sakamura, an associate professor of information science at the University of Tokyo. Sakamura, who was responsible for the start-up of the TRON (The Real-time Operating system Nucleus) computer project, designed the house in an

attempt to simulate all aspects of life in the near future, the committee officials said.

Member companies include Nippon Telegraph & Telephone Corp. (NTT), Mitsubishi Electric Corp., Takenaka Corp., Tokyo Electric Power Co., Yamaha Corp. and Japan Airlines. Those companies spent about Y1 billion (\$6.9 million) to build the two-story house with a basement with a floor space of 372.19 square meters (1,340 square feet).

Experiments will be conducted over the next three years to test and make improvements to devices and components used in the house. The officials said the experience and knowledge acquired from the experiment will be fed back to update technologies in conventional housing.

More than 400 microprocessors are installed in the house's structure—ceilings, floors, walls, doors and windows—that operate behind the scenes to control lighting, air-conditioning, audio-visual equipment and other devices. The residents can also operate all of the equipment using simple touch pads, the officials said.

A network of sensors is used to monitor conditions inside and outside the house. A communications system is installed for transmitting images and sounds within the house, and all the information can be sent back and forth through the telephone, TV terminals and speakers installed in each room. It is also connected to an outside database.

The construction of the house was planned as an application of the TRON project, which is aimed at creating a system of computer standards to make computers from different manufacturers compatible.

Conceived by Sakamura in 1984, the TRON computer architecture has been developed jointly by foreign and domestic business and Japan's Ministries of Education and International Trade and Industry. More than 140 companies have taken part in the projects including 21 foreign firms such as Intel Corp., Motorola Inc., IBM, Hewlett-Packard Co., Olivetti & C. SPA and Siemens AG.

Though it is intended to eventually work in all languages, TRON currently is only available in a Japanese-language format.

In April the U.S. Trade Representative's office labeled the project a barrier to trade. The United States cited the government's hand in the project and the commitment by the nation's education and communications systems to commit to TRON while it was still on the black-board.

Japanese officials say TRON is not intended to block competition and that the architecture is available for manufacture and use by any computer maker.



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## MONGOLIA

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**'Sources' Expect Mongolia To Join ADB**

OW2112053489 Tokyo JIJI in English 1425 GMT  
20 Dec 89—FOR OFFICIAL USE ONLY

[Text] Tokyo, Dec. 20 (JIJI PRESS)—Mongolia [MPR] will likely be admitted to the Asian Development Bank (ADB), possibly next spring, government sources said Wednesday. Mongolia's accession to the Manila-based regional lending body will be formalized at an ADB general meeting to be held in New Delhi May 2-4, the sources told JIJI PRESS.

Mongolia applied for admission to the ADB last September, but the ABD Board of Governors shelved discussions on the Mongolian application. ADB member countries, the United States in particular, apparently feared that financing to Mongolia could help strengthen the economic bloc of the Soviet Union.

The United States, along with Japan, is the largest financial contributor to the ADB.

But amid the progressing U.S.-Soviet rapprochement, as instanced by the successful Malta summit early this month, the United States is growing more flexible about Moscow's participation in international economic organizations. At the Malta summit, U.S. President George Bush was positive toward Western support for Soviet leader Mikhail Gorbachev's perestroika economic rebuilding program through international lending agencies.

The Soviet Union has participated in ADB general meetings as an observer since 1987, when a general session was held in Osaka. Igor Rogachev, Soviet deputy foreign minister, formally expressed Moscow's intention to apply for admission to the ADB in June 1988. The sources stressed the need of greater support for socialist countries, but noted the difficulty of Moscow being admitted to the ADB right now.

Tokyo will likely back Mongolia's bid to be an ADB member, and will also consider enhancing support for other nations from the Soviet bloc, such as Vietnam, Afghanistan, and Cambodia, which are already ADB members.

Since its inauguration in November 1966, the ADB has been headed by a Japanese. Kimimasa Tarumizu, a former senior Finance Ministry official, currently serves as ADB president.

**New Politburo Member Damdin Meets Coal Miners**

OW2212121789 Moscow MONTSAME in English  
to VNA Hanoi 0257 GMT 21 Dec 89—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, December 21 (OANA MONTSAME)—The 7th Plenum of the MPRP [Mongolian People's Revolutionary Party] Central Committee and the regular session of the MPR [Mongolian People's Republic] Great People's Hural are estimated in Mongolia as events of substantial significance in the country's political life, called to promote the deepening of the process of restructuring and renovation in all spheres of social life.

A wide exchange of opinions is being held during the meeting of the party and state leaders with the labour collectives and the entire population. Meeting the Nalayha coal miners, Paabangiyn Damdin, member of the Politbureau and secretary of the MPRP Central Committee, has characterized the atmosphere at the 7th plenary meeting as open, businesslike and principled. Delegates openly discussed the situation in the country and expressed their concern over the destiny of prestroyka in the MPR, P. Damdin said.

[Words indistinct] country's affairs and concerns. To make the party's socio-economic policy a success we should first of all study, reveal and effectively use our material, financial and intellectual possibilities, P. Damdin underscored.

At a meeting with the youth and Pioneers' representatives held in Ulaanbaatar, L. Lantuu, candidate Politbureau member of the [words indistinct] improvement of the ideological and educational work among the young people. Restructuring urges the youth activists to take independent decisions, not to wait for instructions above, assume responsibility and carry out all tasks to this end, he said. An exchange of opinions on different problems interesting the young people has been held between L. Lantuu and the youth.

**Committee Considers Draft Foreign Policy Report**

OW2212121989 Moscow MONTSAME in English  
to VNA Hanoi 0245 GMT 21 Dec 89—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, December 21 (OANA MONTSAME)—The Council of the MPRP [Mongolian People's Revolutionary Party] Central Committee [CC] on Ideology and External Relations considered at its meeting a draft conception of the MPR's [Mongolian People's Republic's] foreign policy. The members of the council have also heard a report on the outcome of the work of interprovincial cooperation, as well as on the preparation and publication of new school textbooks on the history and social science.

The aim of the draft is to promote foreign policy as an effective means to accelerate the country's social and economic development in the conditions of the positive changes taking place in international life and interstate relations. The members of the council came out with concrete proposals to improve and make the draft conception more perfect.

It was decided to submit the present draft to the MPRP CC Politbureau for consideration.

The council noted that the direct ties established with the regions, provinces, towns, industrial enterprises and economic organisations of the Soviet Union and of other socialist countries serve as an active form of Mongolia's external relations. Members of the council considered it expedient to make this kind of cooperation more fruitful and efficient.

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**Foreign Minister Departs on Visit to USSR**

*OW2212122189 Moscow MONTSAME in English  
to VNA Hanoi 0255 GMT 21 Dec 89—FOR OFFICIAL  
USE ONLY*

[Text] Ulaanbaatar, December 21 (OANA MONT-  
SAME)—T. Gombosuren, foreign minister of the MPR

[Mongolian People's Republic], left Ulaanbaatar to pay a  
working visit to the Soviet Union at the invitation of the  
USSR Government.

He was seen off by D. Endon, first deputy foreign  
minister, B. Natsagdorj, head of the department, and  
V.I. Filipov, charge d'affaires of the USSR to the MPR.

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SOUTH KOREA

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**PRC Officials Seek Cooperation in Seoul, Tokyo**

*OW1712094489 Tokyo SANKEI SHIMBUN in Japanese*

*12 Dec 89 Morning Edition p 5—FOR OFFICIAL USE ONLY*

[Text] According to an official of the Japan-China Association of Economy and Trade on 11 December, an eight-man team from the State Commission for Restructuring Economy under the Chinese State Council visited Seoul and Tokyo from 3 to 11 December to seek cooperation in promoting future economic reform in China. Members of the team were from the "Economic System Reform Research Society," comprised of researchers at the State Commission for Restructuring Economy, which is charged with the promotion of restructuring economy in China.

It was the first visit to Western countries made by officials of the commission since the Tiananmen incident last June.

According to the Japan-China Association of Economy and Trade, the group, led by Li Xiuyi of the commission,

visited Seoul from 3 to 9 December where it held exchanges with the South Korean economic circles and conducted a seminar on South Korea's distribution and other issues.

The group stayed in Japan from 9 to 11 December and asked the Japan-China Association of Economy and Trade: "Please convey to the Japanese economic circles our hope that they would cooperate in promoting economic restructuring in China." Since it was not an official visit, the group did not pay a call on the Ministry of International Trade and Industry or other government agencies.

Since the Tiananmen incident China has turned more and more conservative as seen in the dismissal of former party General Secretary Zhao Ziyang, who was an active promoter of reform. On the other hand, due to the West's economic sanctions against China, it has been put in an economic predicament. The visit to Seoul and Tokyo by the group, according to a source related to the Japan-China association in Tokyo, was "aimed at easing sanctions" by showing an active posture toward promoting reform.

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**Vice President Laurel Interviewed on Rebellion**

*OW1412003789 Tokyo YOMIURI SHIMBUN in Japanese*

*12 Dec 89 Morning Edition p 5—FOR OFFICIAL USE ONLY*

[Report by correspondents Tsuchifu and Miyoshi on an "exclusive" interview with Vice President Salvador Laurel at his home in Manila on 11 December]

[Text] Manila, 11 Dec—Vice President Salvador Laurel granted an interview to YOMIURI SHIMBUN at his home in Manila on 11 December. Earlier, President Corazon Aquino had accused him by name of being involved in the rebellion by members of the Armed Forces. Discussing President Aquino's remarks, he flatly denied the accusation saying: "It is not worth mentioning." At the same time, he warned: "Coups attempts will be repeated time and again unless the fundamental causes of the rebellion are solved." This was Laurel's first exclusive interview with a Japanese newspaper since the mutiny attempt in the Philippines. Mr Laurel expressed his sympathetic attitude toward the demands of the rebels. He reiterated his confrontation with President Aquino despite his position as vice president.

President Aquino, in a rally held on 8 December, mentioned the vice president and Senator Juan Ponce Enrile by name, hinting at their involvement in the rebellion. She said: "They are the people distorting the nation." As a basis for her suspicion, President Aquino pointed out that the vice president "is always out of the Philippines whenever there is a coup attempt." Mr Laurel responded sarcastically: "I make official overseas tours as a foreign minister, which have just happened to coincide with coup attempts in two of the three cases to which she referred. I was in Manila during another coup attempt. She would not have made such a big blunder if she spoke from notes as she usually does."

Regarding the recent insurgency, Laurel said: "I cannot support the method the rebel soldiers took. However, I can understand their discontent with the current situation in which bribery and corruption are widespread." He thus explained his stance that sympathizes with demands of the rebel forces.

Moreover, he said: "Most of the rebel officers and soldiers are still at large, so the rebellion has not yet ended. Coup attempts will be repeated as long as the cause of the discontent remains unresolved."

Mr Laurel cited the following as "four mistakes" President Aquino has made: 1) Military and political circles are separated as a result of her failure to unify the nation; 2) bribery and corruption are widespread because laws are not adequately applied; 3) the benefits of economic growth are not felt at the poor level; and 4) the president lacks leadership and a course for the future.

**Dietman Yamaguchi Delivers Kaifu Message to Aquino**

*OW1812014189 Tokyo NIHON KEIZAI SHIMBUN in Japanese 16 Dec 89 Morning Edition p 2—FOR OFFICIAL USE ONLY*

[By reporter Izumi]

[Text] Manila, 15 Dec—Toshio Yamaguchi, former labor minister and acting chairman of the Parliamentarians' League for Friendship Between Japan and the Philippines, who is currently visiting the Philippines, called on President Aquino at Malacanang Palace on 15 December and handed her a personal message from Prime Minister Kaifu. In the message, Prime Minister Kaifu once again informed the president of Japan's intention to continue its unchanged support for the Philippines in its efforts to establish democracy and rebuild the economy. In response, the president expressed her gratitude to the Japanese Government for stating its support to the Aquino administration after the recent rebellion of Philippine National Army personnel.

In reply to Mr Yamaguchi's question on measures dealing with the New People's Army (NPA), the Philippine Communist guerrillas, the President stressed that "the NPA's strength has diminished when compared with the years under the Marcos regime." When Hiroji Kakisawa, chairman of the Foreign Affairs Department of the Liberal Democratic Party, pointed out that inflation must have been behind the recent incident, the president expressed her confidence in the economic administration and said: "Since we implemented price control, the situation has stabilized."

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